



FREQUENTLY ASKED QUESTIONS: DONATIONS

**GENERAL COUNCIL OF THE ASSEMBLIES OF GOD
DIVISION OF THE TREASURY**

FREQUENTLY ASKED QUESTIONS CONCERNING DONATIONS

QUESTIONS ADDRESSED IN THIS PAMPHLET

What are appropriate procedures for taking an offering?

What is the proper procedure to receipt donors for their contributions to the church?

A donor wishes to designate a gift to a pastoral staff member.
Can we do that?

A donor wishes to designate a gift to an individual in the church.
Can we do that and give the donor a charitable contribution receipt?

A donor wishes to donate their vehicle to the church.
What procedure should be followed?

We wish to create a benevolence fund for our church.
What procedures should be followed?

Exhibit 1: Sample Charitable Contribution Receipt

Exhibit 2: Sample Donor Acknowledgement for a Gift in Kind

What are appropriate procedures for taking an offering?

Whether the church chooses to count the offering during the service, after the service, or the next day, the church must ensure that the offering is kept secure at all times. This means that if the offering isn't counted immediately, it is placed in a secure safe until such time as it can be counted. Ideally, at least two individuals should be responsible for counting the offering. Offering envelopes should be provided by the church to ensure that donors receive proper credit for their donations. Those counting the offering will need to document the following:

- The correct amount of coin, cash and checks by completing an offering tally sheet.
- That the amount recorded on the donor envelopes does, in fact, match the amounts that were contained in these envelopes.

- That envelopes are completed for donations that were given without envelopes (unless the church will make copies or other record of these loose checks to serve as a record of the donation).
- Agreement and signature by both parties on the individual amounts of coin, cash and checks, as well as the total amount of the offering.

One copy of the offering tally sheet should be included in the church safe to assist with the preparation of the bank deposit while a second should be forwarded directly to the individual responsible for reconciling the bank account. This individual should be different than the individual who will prepare the deposit. In this manner there is a check in place that the amount counted is the same as the amount ultimately deposited to the bank.

What is the proper procedure to receipt donors for their contributions to the church?

In order for a donor to claim any single cash contribution to the church of \$250 or more, they must receive a written acknowledgment from the church containing the following information:

- Name of the church.
- Amount of the cash contribution.
- Description of non-cash contribution.
- Any of the following statements, as applicable:
 - › Statement that no goods or services were provided by the church in return for the contribution.
 - › Description and estimate of the value of goods and services, if any, that the church provided in return for the contribution.
 - › Statement that goods or services, if any, that the church provided in return for the contribution consisted entirely of intangible religious benefits if that was the case.

Although this written acknowledgment is only required for amounts of \$250 and above, a church will wish to include all of the donor's contributions to the church even if they do not individually exceed \$250. Contributions should be listed individually on the acknowledgment. It should also be noted that smaller contributions made in the same week are considered to be a single contribution for the purposes of this acknowledgment requirement. A sample acknowledgment is at the end of this document.

A donor wishes to designate a gift to a pastoral staff member. Can we do that?

In order for a charitable contribution to be granted by the church for a contribution received, the contribution must be to and for the use of the church. This means that individuals must not personally benefit from a contribution made to the church. So, for example, if Donor X writes a check to the church designating that the amount should be given to (added to the compensation of) Pastor Y, the church is simply acting as an intermediary for a personal gift (not a donation) from Donor X to Pastor Y. The IRS would view this no differently than a birthday card with money inside – no contribution receipt should be issued to the donor and no income should be recorded for the pastor.

There is an exception to this general rule for “special occasion” gifts. A church may take up an offering for the pastor or church staff on special occasions, such as Christmas, pastor appreciation week, or birthdays, for example. On such “special occasions,” it is best for the church to announce that an offering for this special occasion will be taken and that charitable contribution receipts will be given to donors for this offering. Under these circumstances, the church may issue charitable contribution credit to donors for amounts given and the amounts should be added to the taxable compensation (W-2 or 1099-MISC) of the pastor or staff members who receive the benefit of the offering.

A donor wishes to designate a gift to an individual in the church. Can we do that and give the donor a charitable contribution receipt?

Unfortunately, no. As is true with a donor who wishes to designate a contribution to the benefit of a church staff member, a donor may not receive charitable contribution credit for an amount given to the church that is designated to an individual in the church. Normally, a gift from one individual designated for another individual would not constitute funds being spent by the church “in the furtherance of the church’s exempt purposes.” This payment from the donor would be viewed by the IRS as simply a non-taxable gift from one individual to another. In this case, it is normally best for the church to simply communicate to the giver of the gift that the church does not need to be an intermediary in the transaction and that the gift should rather be given directly to the intended recipient without the church’s involvement.

However, the church may raise funds for a particular benevolent need that it has identified and may issue charitable contribution credit to donors for contributions made in response to a special appeal by the church to meet this benevolent need. For example, a family may have considerable unreimbursed medical expenses related to a child's illness or a family may be in great need due to a house fire. Under the following circumstances a church could give charitable contribution credit for donations to a benevolent need:

1. The offering was pre-authorized by the church board.
2. The recipient (or his/her family) is financially needy, and the unreimbursed medical expenses are substantial.
3. The offering is used exclusively to pay these expenses.
4. Immediate family members are not the primary contributors.
5. No more than one or two offerings are collected for the same individual.

A donor wishes to donate their vehicle to the church. What procedure should be followed?

A donor is entitled to a charitable contribution equal to the fair market value of the vehicle donated to the church if the vehicle is then used by the church to substantially further its regularly conducted activities, and the use must be significant. Establishing the "fair market value" of the donated vehicle is the responsibility of the donor and may normally be established by accessing established used-vehicle pricing manuals for identical make and model vehicles taking into consideration the vehicle's mileage and condition. The church should provide a written acknowledgment of the donation within 30 days and should also issue a Form 1098-C to the donor and to the IRS documenting the facts of the donation and the vehicle.

If a donated vehicle is not placed into use by the church to substantially further its regularly conducted activities, but is rather sold by the church, the donor is only entitled to take a charitable contribution in the amount of the lower of the fair market value (discussed above) or the sales proceeds of the sale of the vehicle by the church. Again, the church should issue a written

acknowledgment of the donation to the donor within 30 days and should issue a Form 1098-C to the donor and to the IRS documenting the facts of the donation and the vehicle, including the amount of the vehicle's sale by the church.

We wish to create a benevolence fund for our church. What procedures should be followed?

As a part of its mission to assist the needy, a church may wish to create a benevolence fund to which donors could contribute and assistance could be provided. As noted under the discussion of gifts designated to individuals in the church, donors are not permitted to receive charitable contribution credit for amounts given to the church which designate that those gifts be given to a certain individual. Churches may, however, create benevolence funds that donors may contribute to and receive charitable contribution credit. Still, donors may not in any way (by spoken word or written request) designate that their contribution be used to assist certain individuals. Individuals may make recommendations (apart from contributions) to the church concerning individuals that they feel are in need of assistance that the church could then consider in proper course. It should be noted that individuals who receive assistance from a church benevolence fund (or any monetary or tangible assistance from a church) should be individuals who could be categorized as "needy" and, therefore, individuals who are legitimate candidates for assistance from the church in line with church's mission and reason for being.

Exhibit 1:**SAMPLE CHARITABLE CONTRIBUTION RECEIPT (END OF YEAR)**

January 31, 2012

Charitable Contribution Statement for 2011 for:

John & Jane Doe
123 Main St.
Springfield, MO 65802

For the calendar year 2011, our records indicate that you made the following cash contributions to First Assembly of God.

Date	General	Missions	Other	Total
1/31/11	\$100.00	\$50.00	\$0.00	\$150.00
3/31/11	\$100.00	\$0.00	\$60.00	\$160.00
4/30/11	\$300.00	\$50.00	\$0.00	\$350.00
5/15/11	\$100.00	\$0.00	\$0.00	\$100.00
7/15/11	\$300.00	\$50.00	\$25.00	\$375.00
8/31/11	\$0.00	\$0.00	\$250.00	\$250.00
10/01/11	\$200.00	\$50.00	\$0.00	\$250.00
12/15/11	<u>\$200.00</u>	<u>\$50.00</u>	<u>\$50.00</u>	<u>\$300.00</u>
Total	\$1,300.00	\$250.00	\$385.00	\$1,935.00

Should you have any questions concerning this statement or the amounts shown, please contact the church office immediately. No goods or services were provided to you in connection with these gifts except for those consisting entirely of intangible religious benefits. This document is necessary support for the claiming of charitable contributions for the above gifts on your federal income tax return. Please retain this for your records.

John Smith, Treasurer
First Assembly of God
1445 N. Boonville Ave.
Springfield, MO 65802

Exhibit 2:

SAMPLE DONOR ACKNOWLEDGEMENT FOR A GIFT IN KIND

August 1, 2011

John & Jane Doe
123 Main St.
Springfield, MO 65802

Mr. & Mrs. Doe:

First Assembly of God gratefully acknowledges your August 2011 gift of the following items for the use of the Music Department of First Assembly of God.

Electric Bass Guitar with amplifier – excellent condition
Five (5) Metal Music Stands – good condition

No goods or services, other than intangible religious benefits, were given to you in exchange for these gifts.

The value of your gift is established by the fair market value on the date the items were transferred to First Assembly of God. You, as the donor, are responsible for establishing the fair market value of these items.

Thank you for your interest in and support of this ministry.

John Smith, Treasurer
First Assembly of God
1445 N. Boonville Ave.
Springfield, MO 65802

Revision date August 10, 2011

For a current copy of this document, please e-mail treasurer@ag.org.

For more information on the topics contained in this document, see Rich Hammar's *2011 Church & Clergy Tax Guide*.

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Disclaimer: The purpose of this FAQ is to provide basic information regarding church administration. Information contained within is generic in nature and is intended as a guide, not a substitute for seeking professional advice specific to your church or any state laws. If you have explicit concerns, please consult a professional.

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