Church Law&Tax Report

YOUR CHARITABLE CONTRIBUTIONS:

7 Things Every Church Member Needs to Know

By Richard Hammar, J.D., LL.M., CPA

1. If I make a contribution in early January 2015, can I claim it on my 2014 taxes? No, charitable contributions must be claimed in the year in which they are delivered.

Example: Mary writes a check to her church on December 31, 2014, and deposits it in the church offering on Sunday, January 5, 2015. Her check is not deductible on her 2014 taxes. She can claim it on her 2015 tax return.

2. If I mail my contribution in December 2014, but it doesn't reach my church until January 2015, for which year should I claim it? On your 2014 tax return. A check that is mailed to a charity is deductible in the year the check is mailed (and postmarked), even if it is received in the next year.

Example: Mary mails (and postmarks) her check in December 2014. Her church doesn't receive the check until January 2015. The check is deductible on Mary's 2014 tax return.

3. Can I deduct the value of volunteer work I did for the church? No, the value of personal services is never deductible as a charitable contribution. However, unreimbursed expenses you incur in performing services on behalf of a church or other charity may be. For 2015, you can use a "standard mileage rate" of 14 cents to compute a deduction for any miles you drive in performing services for your church. Be sure to maintain accurate records.

Example: John is an electrician and donates 10 hours of time to his church's construction project. He cannot deduct the value of his donated labor, but he can deduct the value of materials he purchased in performing the donated labor.

Example: Several church members go on a short-term missions project to another country. The value of their labor is not deductible, but they can deduct their unreimbursed travel expenses (transportation, meals, lodging) incurred in performing the project.

4. I gave $135 to my church when I registered for a spring retreat. Can I deduct that? No, assuming you received benefits (e.g., lodging, instruction, materials) worth $135 or more. Charitable contributions generally are deductible only to the extent they exceed the value of any premium or benefit received by the donor in return for the contribution.

5. Is there any limit to the amount of my contributions I can deduct on my taxes? Yes, a contribution deduction ordinarily cannot exceed 50 percent of a donor's adjusted gross income (a 30 percent rule applies in some cases). Donors who exceed these limits may be able to "carry over" their excess contribution and deduct it in future years.

6. I designated my contribution to the church benevolence fund. Is it deductible? That depends. "Designated contributions" are those made to a church for a specified purpose. If the purpose

is an *approved project or program* of the church, you can deduct the contribution (if you claim itemized deductions on Schedule A).

If you designate a $100 gift to the church benevolence fund, it is deductible, unless you specify that your contribution be applied to a named *individual;* then no deduction is allowed.

Contributions to a church or missions agency that designate a particular missionary may be tax-deductible if the church or missions agency exercises full administrative control over the contributions and ensures that they are spent in furtherance of the church's tax-exempt purposes.

7. What kind of records do I need in order to prove I made a contribution?

For individual cash contributions of under $250: You must have a bank record (such as a cancelled check) or a receipt from the church containing the church's name, and the date and amount of each cash contribution.

For individual contributions (cash or property) of $250 or more: You must receive a written receipt from your church that includes the church's name; the date of the contribution; the amount of any cash contribution; a description (but not the value) of non-cash contributions; and one of the following: (i) a statement that no goods or services were provided by the church in return for the contribution; (ii) a statement that goods or services that a church provided in return for the contribution consisted entirely of intangible religious benefits; or (iii) a description and good faith estimate of the value of goods or services other than intangible religious benefits that the church provided in return for the contribution.

The church may either provide separate receipts for each single contribution of $250 or more or one acknowledgment to substantiate several single contributions of $250 or more. Separate contributions are not aggregated for purposes of measuring the $250 threshold.

If you've made individual contributions of $250 or more, don't file your federal income tax return until you receive a contribution statement from your church that satisfies these requirements. Otherwise, your contributions may not be deductible. Canceled checks cannot be used to substantiate cash contributions of $250 or more.

For non-cash property valued at $500 or more: Other rules apply (see the instructions to IRS Form 8283). If the value is more than $5,000, you must obtain a qualified appraisal of the property and attach an "appraisal summary" (IRS Form 8283) to the tax return on which the contribution is claimed. Some exceptions apply.

For contributions of cars, boats, or planes: If a church sells the donated property without significant use, the donor's contribution deduction is limited to the sales proceeds. In addition, the church must provide the donor, and the IRS, with a written acknowledgement (use IRS Form 1098-C) by the deadline prescribed by law. If the church significantly uses the property, the donor can deduct the market value. However, the church must still provide Form 1098-C to the donor and the IRS. Qualified appraisal and appraisal summary requirements apply if a deduction exceeds $5,000 (see instructions to Form 8283).

About the Author. Richard Hammar, a graduate of Harvard Law School, is an attorney and certified public accountant specializing in legal and tax issues for churches and clergy.

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