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SUBSTANTIATION RULES FOR CHARITABLE CONTRIBUTIONS

The rules for documenting and disclosing contributions were made more stringent under the Omnibus Budget Reconciliation Act of 1993, both for donors and for the donee charities.

LAW

Any single contribution of \$250 or more requires additional support to qualify as a charitable deduction. Taxpayers must receive from the charities contemporaneous written acknowledgments of the contributions; a taxpayer's canceled check no longer will be sufficient.

The taxpayer must have this acknowledgment when he or she files the return. For extensions, the acknowledgment must be in the taxpayer's possession when the return is filed (and not by April 15). The receipt need not be attached to the taxpayer's return. However, the taxpayer (and not the charity) has the obligation to see that he or she obtains and keeps these records; the charity incurs no penalty if this substantiation is not provided. If the Internal Revenue Service requests these documents and the taxpayer cannot produce them, the entire deduction will be denied.

INFORMATION REQUIRED

While not required to be in any specific form, this acknowledgment must include certain information. It must specify the amount of cash contributed and a description (but not a dollar value) of any noncash property contributed. It must state whether the charity provided any goods or services in return for the contribution; if so, a description and good-faith estimate of the value of the goods and services must be included. If the only value involves "intangible religious benefits," a statement to this effect must be included.

Separate payments generally will be treated as separate contributions and will not be aggregated in determining if the \$250 threshold is met. Additionally, for contributions deducted from a taxpayer's paycheck, each deduction will be considered a separate payment. At the same time, however, a taxpayer who writes multiple checks on the same day to avoid the \$250 amount will be subject to these rules.

QUID PRO QUO CONTRIBUTIONS

For any contribution over \$75 in which the taxpayer receives goods or services (of more than "insubstantial value") in return for the donation, the charity must make certain additional disclosures. (Note that this requirement is triggered by a \$75 contribution; the value of the goods and services is irrelevant and need not be worth over \$75.) Charities receiving such contributions must provide to the donor, either when the funds are solicited or when the donation is received, a written statement that includes a good-faith estimate of the goods and services provided plus a notice that the charitable deduction is limited to the amount of the payment in excess of the value of the goods and services. Separate payments made at different times of the year with respect to different fund-raising events will not be aggregated in determining if the \$75 threshold had been reached.

For example, a taxpayer gives a charity a \$100 donation and receives an invitation to a dinner worth \$40. The charity must inform the taxpayer that the dinner's value was \$40 and that only the portion of the payment exceeding this value qualifies as a charitable contribution.