

Church Financial Hot Topic

Church Contribution Credit

1. The church can only give contribution credit for a donation of cash or cash equivalents such as electronic deposits, checks, debit cards, or credit cards to the church. For donations of property like real estate, stocks, building materials, receipts of items purchased on behalf of the church, and other tangible items, the church can only send a thank you note to the donor acknowledging the gift without assigning a value. Only cash or cash equivalent donations can be recorded on an annual contribution credit statement.
2. The church can give a contribution credit in the current calendar year if the donation was made before the close of the calendar year. Generally, a donation is made at the time of delivery. However, a donation that was mailed is considered delivered when the envelope was postmarked.
3. The church can give a contribution credit when the donation was voluntary and made without the donor receiving or having the possibility of receiving anything of material value or tangible benefit. The donation should be given as an unconditional transfer without personal benefit to the donor. The donation may be undesignated or designated according to the written policies of the church.
4. The donation must be made “to or for the use of” the church. The church must exercise control over the donation. The donation cannot simply be a “pass through” to an individual or ministry. The church must have the authority to accept or reject the donation.
5. The burden of proof to prove the donation was made to the church is on the donor, not the church. To help donors receive a charitable deduction on their personal income taxes, the church should furnish an annual contribution credit statement to all donors requesting a statement regardless of the amount of the donation. The contribution credit statement should contain the following information: 1) Donation dates, 2) individual donation amounts, 3) the church’s name and address, 4) the statement, “*No goods or services were provided in exchange for the contribution, other than intangible religious benefit,*” and 5) if the church is a member of the Georgia Baptist Convention, the church should include the following information, “Group Nonprofit Number 1702.” The donor must receive the contribution credit statement before the donor files his income tax return.
6. Generally, donations made to a specific person for benevolence reasons are not charitable contributions. A donor’s donation that does not name a specific person but is given to the church’s designated benevolence fund can receive a contribution credit from the church. Additionally, donors can contribute to a designated fund for individuals going on a church-sponsored mission trip and receive contribution credit. The designated donation is not taxable income to the mission team member going on the church-sponsored mission trip if the individual provides the church receipts for the trip. Contribution credit is allowed for church-approved love offerings for church employees since the donations are taxable income to the church employees.
7. Donations to non-qualified organizations like Sunday School classes, WMU, or Baptist Men are not allowed on a church’s contribution credit statement if the church cannot tell the organization how to spend their funds and the organization does not give a financial report to the church.
8. If the donor or donor’s immediate family members expect to receive a portion of the donation for personal benefit, then the contribution credit cannot be allowed. The church can only give a contribution credit for the part of the donation that has only intangible religious benefits. The church cannot give a contribution credit to a donor if the donation benefits him personally or his immediate family members.
9. The church cannot give a contribution credit for the value of the donor’s time, services, or reduced rent. This would include a contribution credit for an individual or business donating labor to the church. Also, the church is not allowed to give a business a contribution credit for a reduced bill for services performed for the church.
10. Finally, the donation must be irrevocable by the donor. The donor cannot have any future control over the donation given to the church.

Information is based on Internal Revenue Services Publication 526. This document is intended to provide churches, pastors, and staff with current and accurate information about the subjects covered. However, such information is not intended to be sufficient for dealing with a particular legal problem, and the authors and distributors do not warrant or represent its suitability for such purpose. The reader should not rely upon this document as a substitute for independent legal consultation or IRS instructions.