

## Church Financial Hot Topic

### Church Fundraisers

**What are fundraisers?** Many churches seek to raise additional funds beyond the general offerings to fund special events like mission trips or youth groups. *Individuals are purchasing a service or item during the fundraisers.* Fundraisers are not special offerings collected when the donor only receives intangible religious benefits. In a fundraiser, the individual is receiving a good or service for the money given. Likewise, a number of churches charge user fees to help recover the cost of using the church facilities for a wedding or a similar event like a school using a room at the church. This is not a fundraiser. The user fee is a cost-recovery charge, not a money making fundraiser.

**Governmental perspective on church fundraisers:** There are three important IRS guidelines churches must follow in conducting fundraisers. First, the fundraiser must always further the church's purpose or mission. For example, if the fundraiser is for a church-sponsored mission trip, then this IRS requirement is satisfied. However, if the fundraiser is a private yard sale that several church members are conducting on church property, the IRS might call the fundraiser into question. Second, the fundraiser must benefit the whole group involved in the church activity, not just the participants in a fundraiser event. For instance, the youth have a car wash to help fund a youth trip. The car wash must benefit not only the individuals who helped wash the cars, but all the youth going on the youth trip. Otherwise, the fundraiser will become taxable income to the individuals who benefited from the individual assignment of fundraising funds. Finally, the church should be careful the fundraiser does not trigger the unrelated business income tax and state sales taxes.

**Handling the fundraiser income correctly:** Income received from a fundraiser must be held in a church's designated fund. The designated fund must be established before the fundraiser is conducted. Unless written policies are established indicating otherwise, the income from a church fundraiser must be spent on the intended purpose.

**Contribution credit for items donated:** The church is not allowed to give contribution credit for any donations of property. However, the church should send a "thank you" note with a description and date of the property donated to the donor without assigning a value to the donated property. The donor along with his tax advisor will assign the value of property donated to the church.

**Contribution credit for items purchased:** Generally, the church should not give contribution credit for items purchased at fundraising events. The IRS states in order for a contribution credit to be received by the church, the donor must receive only intangible religious benefits. Of course, if an individual wants to contribute beyond the purchase price of an item, then the donor should write a separate check to the church for this donation.

**The Georgia Use and Sales Tax:** The fundraiser should not last more than thirty days. For instance, if the youth group sold coupon books throughout the months of September and October, the church would have to collect the GA Use and Sales Tax on the sale of books since the sale occurred longer than thirty days. Wednesday night suppers are considered individual events for the GA Use and Sales Tax purposes. If a church has a vending machine, the GA Use and Sales Tax must be collected on the items sold.

**Benevolence reasons:** The IRS does not allow contribution credit for donations for benevolence reasons if a specific individual is named. Furthermore, if the church gives the money to the named needy individual it might be taxable income to the needy individual the church is trying to help. (Remember, this discussion is only for fundraisers!) For this reason, it is best that a local community bank handle the income for an individual who has a major medical need like a kidney transplant rather than a church. If the bank handles the funds, the donor will not receive a contribution credit, but the needy individual will not receive taxable income. The church should not sponsor this type of fundraiser, but encourage its members to be involved in the "community" fundraiser.

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