



*This article presents general guidelines for Ohio nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.*

## Year-End Giving: Receiving and Acknowledging Donations

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The ability to accept tax-deductible donations is an important advantage of being a 501(c)(3) organization. Whether acknowledgements of those donations are required and what the acknowledgements should include depends on what and how much is donated.

To help you navigate, a summary of IRS rules, sample written acknowledgements, and helpful links are provided below.

### 1. Donation of Money by Cash, Check, or Credit Card

#### a. Did the donor receive goods or services in exchange for the donation?

This is called a quid pro quo contribution. An example is when a donor contributes \$100 to an organization and gets an event ticket worth \$35. In that case, only the amount in excess of the ticket price is tax-deductible (\$65).

If the total amount of a quid pro quo contribution exceeds \$75<sup>1</sup>, the organization must send a written acknowledgement containing:

- Name and address of the organization, date of contribution, and amount of contribution;
- A description of the goods or services provided to the donor (in the example above, an event ticket);
- Good faith estimate of the fair market value<sup>2</sup> of the goods or services the donor has received (in the example above, \$35); and
- Amount of the contribution that is tax-deductible (in the example above, \$100-\$35=\$65).

*See Sample Acknowledgement #1 below.*

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<sup>1</sup> This is the total amount of money donated, not the value of the quid pro quo. In the example above, the total amount of the quid pro quo contribution is \$100.

<sup>2</sup> Fair Market Value ("FMV") is the price at which property would change hands between a willing buyer and a willing seller that both have reasonable knowledge of all of the relevant facts. An organization may use any reasonable method to estimate FMV, so long as it applies the method in good faith. One method is to use the FMV of similar or comparable goods or services. The price that the organization paid for the goods or services is not necessarily the FMV, but can be an important factor in determining FMV. It is important for an organization to document and retain how it determined the value of the goods or services the donor received.



The IRS can impose financial penalties on charities that fail, without reasonable cause, to provide adequate quid pro quo acknowledgements. The penalty is \$10 per contribution, up to \$5,000 per fund-raising event or mailing.

However, there is an exception to this requirement of a written acknowledgement when the goods or services provided by the charitable organization in exchange for a contribution are “insubstantial”. What does “insubstantial” mean? When contributions are received in the context of a fundraising campaign and the donor is informed of the amount of the contribution that is deductible, the following are considered insubstantial and the quid pro quo disclosure is not required:

- When the fair market value of the benefits received does not exceed the lesser of 2% of the payment or \$117.<sup>3</sup> For example, a gift valued at \$15 would be insubstantial against a contribution of \$1,000. A gift valued at \$150 against a contribution of \$10,000 would require disclosure in an acknowledgement because the value of the gift exceeds the \$117 ceiling.
- When the donation is at least \$58.50, the only items provided bear the organization’s name or logo (for example, calendars, mugs, or posters), and the total cost of these items is within the limit for “low-cost articles,” which is \$11.70.<sup>4</sup>
- When a potential donor receives free, unordered low-cost articles from the organization (such as return address labels). These items must be accompanied by a request for a charitable contribution and a statement that the potential donor may retain the item whether or not a contribution is made.
- When a donor makes an annual payment of \$75 or less and receives only annual membership benefits consisting of (a) rights or privileges (other than the right to purchase tickets for college athletic events) that can be exercised often during the membership period (such as discounted admission), and/or (b) admission to events that are open only to members and the cost per person is \$11.70 or less (the limit for low-cost articles).<sup>5</sup>

## **b. Was the amount of the donation: (a) less than \$250, or (b) \$250 or more?**

If (a) less than \$250, an acknowledgement is not required by the IRS in order for the donor to claim a deduction (the donor can instead use a credit card statement, bank statement, or cancelled check as evidence). However, it is always a good idea to thank donors and you may still want to send an acknowledgement.

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<sup>3</sup> This amount is adjusted for inflation every year by the IRS and is current for calendar year 2022.

<sup>4</sup> These amounts are adjusted for inflation every year by the IRS and are current for calendar year 2022.

<sup>5</sup> An example of a membership benefits exception is when a charitable organization offers a \$75 annual membership that allows free admission to all of its weekly events, plus a \$20 poster, a written acknowledgement needs to only mention the \$20 value of the poster, since the free admission would be considered insubstantial.



If (b) \$250 or more, an organization should send a written acknowledgement.<sup>6</sup> This should include:

- Name and address of the organization, date of contribution, and amount of contribution
- Whether organization provided any goods or services in return for the contribution, and if so, a good faith estimate of the value (see above on quid pro quo contributions)

*See Sample Acknowledgement #2 below.*

## 2. Donations of Goods (cars, clothes, furniture, and other non-monetary items)

This type of donation is called an “In-Kind” contribution. The organization should send a written acknowledgement to the donor stating:

- Name and address of the organization and date of contribution;
- A description of the property donated (but not the value\*); and
- Whether organization provided any goods or services in return for the contribution, and if so, a good faith estimate of the value.

\*An organization should not provide an estimate of the value of the donated goods to the donor; it is up to the donor to determine the value.<sup>7</sup>

*See Sample Acknowledgement #3 below.*

There are additional requirements for acknowledgements when accepting vehicle donations (including cars and boats). For more details, see IRS Publication 4302, *A Charity’s Guide to Vehicle Donations* linked [here](#).

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<sup>6</sup> Except in the case of a quid pro quo contribution, a nonprofit has no legal obligation to provide a donor with a written acknowledgement. However, a donor cannot deduct the donation on a tax return without evidence. For a donation of less than \$250, that evidence could be a written acknowledgement, a cancelled check, bank statement, or a credit card statement. For a donation of \$250 or more, the only acceptable evidence is a contemporaneous written acknowledgement of the donation from the organization. If you’d like for your donors to be able to deduct their contributions of \$250 or more, it makes sense to send a written acknowledgement.

<sup>7</sup> If the donor values the goods at more than \$500, the donor must also file Form 8283 with his or her tax return for each donee organization that receives an item or group of items valued at over \$500. If the item or group of items is valued at over \$5,000, the donor will ask the organization to complete Part IV of Section B of Form 8283 acknowledging receipt of the donated item.



### 3. Donation of Services

Volunteers cannot deduct the value of their time or services they contribute to an organization. However, they can deduct reasonable expenses incurred while donating services. The donor must keep records of these expenses, and if any one expense is \$250 or more, the donor will need an acknowledgement to claim that specific deduction. The organization should send a written acknowledgement to the donor stating:

- Name and address of the organization and date of services;
- A description of the services; and
- Whether organization provided any goods or services in return for the contribution, and if so, a good faith estimate of the value.

*See Sample Acknowledgement #4 below.*

### 4. Donation of Space

Generally, a donation of less than the donor's *entire* interest in a piece of property is not deductible. This question typically arises when donors offer office space or other usable space to nonprofits rent-free. This is called a right to use property and is not deductible because it is a contribution of less than the donor's entire interest in that property. For example, if the donor owns a 10-story office building and donates the use of a floor rent-free, the donor cannot deduct the contribution because he or she still owns the building and is only contributing a partial interest in the property.

### 5. Donation of Stock or Shares (Publicly Traded Securities)

A gift of publicly traded securities is a donation of goods (not money). In order to acknowledge this type of donation, the organization should send a written acknowledgement to the donor stating:

- Name and address of the organization;
- The date of the transfer of the stock/shares to the organization;
- A description of the property donated—what kind of security is being donated (stock, mutual fund share), the number of shares, and the name of the company (but do not place a monetary value on the shares); and
- Whether organization provided any goods or services in return for the contribution, and if so, a good faith estimate of the value.

*See Sample Acknowledgement #5 below.*



While not required, an organization may want to send the donor a separate receipt for his/her personal records. This receipt can state the quantity and value<sup>8</sup> of the donated shares on the date of the gift. An organization does not need to report the proceeds of any sale of donated securities on either the acknowledgement letter or the receipt.

## When to Send Acknowledgements

Donors must receive “contemporaneous written acknowledgements” of donations from an organization whenever acknowledgements are required. This means that the donor must receive the acknowledgement by the earlier of (a) the date the donor files his/her tax return for the year the donation was made, and (b) the due date, including extensions, for filing the return.

For example, if your organization received a donation on #Giving Tuesday in November 2022, you have two options: You can either acknowledge each donation from a donor soon after it is received (this is something we recommend as a best practice); or you can provide one year-end acknowledgement no later than January 31, 2023 which lists all of the donations made by the donor during the year.<sup>9</sup>

## Additional Considerations: Gift Acceptance Policies

If your organization accepts or is contemplating accepting non-cash donations, it may want to consider adopting a gift acceptance policy. The acceptance of non-cash donations can lead to increased financial costs and liability for an organization. For example, accepting a piece of real estate could generate additional costs such as insurance, maintenance, rehabilitation, and property taxes. It could also expose your organization to increased liability. Your organization might become responsible for rehabilitating property that is in violation of environmental laws. And, some gifts may be difficult to resell if they are subject to restrictions or there is a lack of market demand. A gift acceptance policy creates a process that allows an organization to thoughtfully consider the pros and cons of each non-cash donation, and can play an important role in preventing any end-of-year, last-minute acceptances of donations that could have potentially harmful consequences for the organization.

## Resources

For more information and sample acknowledgement language, see *IRS Publication 1771: Charitable Contributions--Substantiation and Disclosure Requirements* linked [here](#).

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<sup>8</sup> The value of a gift of publicly traded stock is the average of the highest and lowest quoted selling prices on the date of the gift (excluding weekends or holidays).

<sup>9</sup> For acknowledgements of vehicle donations, the deadline depends on what the organization does with the vehicle (such as whether it keeps, resells, donates, or improves the vehicle).



## Need Legal Advice?

If you are a PBPO client and would like more information, have questions regarding donations of specific items such as vehicles or property, or would like to discuss creating a gift acceptance policy for your organization, contact PBPO at [info@pbpohio.org](mailto:info@pbpohio.org) or (513) 977-0304.

**Not a Client?** Apply to become a client by submitting a [Request for Legal Assistance online](#), or contact us at [info@pbpohio.org](mailto:info@pbpohio.org).

## Sample Acknowledgements

There is no specific format required by the IRS for donation acknowledgements. Letters, postcards, emails, or computer-generated forms are all acceptable. Below are sample acknowledgements with the basic IRS requirements.

### **Sample 1: Quid pro quo donation over \$75.00 (goods or services provided in return):**

Pro Bono Partnership of Ohio  
255 East 5<sup>th</sup> St., Ste. 1900  
Cincinnati, OH 45202

December 15, 2022

Ms. Generous Donor  
Donor address

Dear Ms. Donor,

Thank you for your cash contribution of \$80 that PBPO received on November 29, 2022. In exchange for your contribution, you received a ticket to our gala worth an estimated fair market value of \$30. Therefore, for federal income tax purposes, your contribution deduction is limited to \$50.

Sincerely,

Executive Director

*PBPO is a 501(c)(3) tax-exempt organization. Your contribution is tax-deductible to the extent permitted by law.*



**Sample 2: Monetary donation (no goods or services provided in return):**

Pro Bono Partnership of Ohio  
255 East 5<sup>th</sup> St., Ste. 1900  
Cincinnati, OH 45202

December 15, 2022

Ms. Generous Donor  
Donor address

Dear Ms. Donor,

Thank you for your cash contribution of \$300 that PBPO received on November 29, 2022. No goods or services were provided in exchange for your contribution.

Sincerely,  
Executive Director

*PBPO is a 501(c)(3) tax-exempt organization. Your contribution is tax-deductible to the extent permitted by law.*

**Sample 3: Contributions of Goods (In-Kind contributions):**

Pro Bono Partnership of Ohio  
255 East 5<sup>th</sup> St., Ste. 1900  
Cincinnati, OH 45202

December 15, 2022

Ms. Generous Donor  
Donor address

Dear Ms. Donor,

Thank you for your donation of a used Pottery Barn oak desk and hutch with matching chair that PBPO received on November 29, 2022. No goods or services were provided in return for your contribution.

Sincerely,  
Executive Director

*PBPO is a 501(c)(3) tax-exempt organization. Your contribution is tax-deductible to the extent permitted by law.*



**Sample 4: Volunteers/Services:**

Pro Bono Partnership of Ohio  
255 East 5<sup>th</sup> St., Ste. 1900  
Cincinnati, OH 45202

December 15, 2022

Ms. Generous Donor  
Donor address

Dear Ms. Donor,

Thank you for providing your services (describe services) at our fundraising event on November 29, 2022. No goods or services were provided in exchange for your services. Please note that reasonable, unreimbursed expenses incurred while donating services may be tax-deductible.

Sincerely,  
Executive Director

*PBPO is a 501(c)(3) tax-exempt organization. Your contribution is tax-deductible to the extent permitted by law.*

**Sample 5: Contributions of Stock/Securities:**

Pro Bono Partnership of Ohio  
255 East 5<sup>th</sup> St., Ste. 1900  
Cincinnati, OH 45202

December 15, 2022

Ms. Generous Donor  
Donor address

Dear Ms. Donor,

Thank you for your donation of 50 shares of publicly traded stock of The Procter and Gamble Company on November 29, 2022. No goods or services were provided in return for your contribution.

Sincerely,  
Executive Director

*PBPO is a 501(c)(3) tax-exempt organization. Your contribution is tax-deductible to the extent permitted by law.*