
Charitable Contributions: A Simple Error by the Charities Could Cost You Thousands of Dollars

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The Durdens had contributed \$25,000 to their church. The acknowledgment letter from their church did not state that the church had not provided goods or services in exchange for their \$25,000 contribution. Upon audit, the entire contribution was disallowed because the acknowledgement letter did not state that the Durdens did not receive any good or services in exchange for the \$25,000. The church, at the time of audit, then provided the letter to the Durdens. Too late, said the US Tax Court in a memorandum decision which upheld the IRS disallowance of the entire \$25,000 contribution.

Why or how could this happen? The Internal Revenue Code under Section 170 dealing with substantiation says that the documentation required must include a statement

"Whether the donee organization provided any goods or services in consideration, in whole or in part, for any of the property described."

In simple English this is what is known as black letter law. This is not an interpretation, but is part of the Internal Revenue Code required substantiation for any contribution in excess of \$250. This must be in the hands of the taxpayer by the time they file their tax return. In the process of preparing returns this year, we have seen several instances where the charity does not have a statement in their acknowledgment letter stating something like

"The taxpayer has not received any goods or services in consideration for their gift."

If you find this situation, phone your charity and ask them for a new letter which includes that statement or one like it.