Each year churches all across the United States face an annual occurrence: tax time. While churches that are properly operating and protected under the 501(c)(3) provisions of the IRS tax code don’t have to pay taxes themselves, their contributors often do.

According to the IRS, a contribution made to a church is allowed to be a deductible contribution on the donor’s annual tax filing, but there must be proof that the contribution was made and done properly.

No specific law requires churches to issue donors receipts, nor are donors required to show a receipt of proof unless the amount contributed exceeds $250. However, churches should make it a practice to issue each donor a receipt as a good gesture and as proof of adequate record keeping. But even more importantly, in a given year, churches should keep a cumulative total for each donor to provide a year-end giving statement.

Typically a year’s worth of giving by a donor would exceed the threshold of $250 and the donor would be required to show proof of giving. It is much easier for a donor to send in one piece of paper showing a cumulative year’s giving statement than to try to produce cancelled checks, a credit card statement, or multiple receipt letters.

As churches issue a tax receipt letter for each donor, they should make sure they do it correctly and meet all the tax requirements to allow donors to deduct their contributions. The IRS calls this substantiation of charitable contributions.

The church must include a statement indicating whether it provided goods or services to the donor in consideration of the contribution. If the donation itself is a good or service, the church’s written acknowledgment must provide a description and good faith estimate of the value of those goods or services.

Churches that fail to provide donors with proper acknowledgment are jeopardizing the deductibility of donors’ contributions.

Some people would say that they don’t give to get a tax deduction, but we must realize that this is a part of the tax provisions of the laws of this land,
and we all need to do our part to ensure that we provide the proper documentation.