



Accurately Acknowledging Gifts Other Than Your Basic Check

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Before we start...

- Why this topic?
- Format of today's presentation

Question 1 – A check

- 1) A check is received in the mail on January 4. The check was written on December 30. How do you acknowledge it?
- a. *As a December gift.*
 - b. *As a January gift.*
 - c. *I don't have enough information.*



Question 1 – answer

The answer is: c - I don't have enough information.

What's missing?

What should the letter say at year-end?

- *“Thank you for your gift of \$100 postmarked on _____.”*

Question 2 – A check with a twist

2. Your fiscal year ends June 30. On July 1, you receive in the mail a letter and a check for \$10,000 from a foundation. There is no postmark on the envelope. The letter indicates you will be receiving \$7,500 in each of the next two years. How should you record this gift?
- a. *Record all in June*
 - b. *Record cash in year ending in June and receivable in July*
 - c. *Record all in July*

Question 2 – answer

The answer is: a - Record all in June.

Check was received in mail on July 1, so it had to have been sent in June. Therefore, record as a gift and a receivable in June.

Question 3 – publicly traded stock

- 3) Donor makes a gift of P&G stock – aka publicly traded stock. Instructions were given to her broker on December 10. The gift left her account on December 13. The stock hit the charity’s account on December 14. When was gift made for acknowledgement purposes?
- a. *December 10*
 - b. *December 13*
 - c. *December 14*



Question 3 – answer

The answer is: c – December 14 – the date the charity has “control” over the asset.

Question 4 – publicly traded stock part 2

- 4) What is the value of the gift for recording in the donor database/financial system?
 - a. *Average of the high and the low on the date the gift left her account (Dec. 13)*
 - b. *Average of the high and the low on the date the gift hit the organization's account (Dec. 14.)*
 - c. *Net proceeds of the sale of the stock*

Question 4 – answer

Answer: b – average of the high and the low on the date the gift hit the organization's account (Dec. 14)

Question 5 – publicly traded stock part 3

True or false: You should provide the value of the gift in the tax receipt.

Question 5 – answer

The answer is: False

Question 6 – publicly traded stock part 4

6) How do you acknowledge the donor?

Answer: IRS requirement is for the date and description of the gift.

Provide value? You may do so as a courtesy, but advise in the letter that the donor should consult her tax advisor regarding her specific situation.

Question 7 – donor advised fund grant

- 7) One of your best donors makes a grant from a donor advised fund (DAF) at the Jewish Federation. How do you acknowledge the donor?
- a. *Gift is from Jewish Federation – deduction to Federation. No acknowledgment to donor.*
 - b. *Gift is from Jewish Federation. Thank donor for recommending the grant.*
 - c. *Gift is from donor – just through the Jewish Federation. Acknowledge charitable deduction to donor.*



Question 7 – answer

The answer is: b - Gift is from JF. Thank donor for recommending the grant.

Question 8 – DAF grant part 2

- 8) How should you record a DAF grant in your donor database?
 - a. *“Hard credit” to the donor with “soft credit” to the Jewish Federation.*
 - b. *“Hard credit” to the Jewish Federation with “soft credit” to the donor.*

Question 8 – answer

The answer is: b – “Hard credit” to the Jewish Federation with “soft credit” to the donor.

Question 9 – DAF grant part 3

9) Your donor has an outstanding pledge with your organization.

True or false: Your organization may apply the DAF grant to the pledge.

Charitable Pledge

In support of _____, I/we pledge and promise to pay _____ the total sum of \$ _____ to be paid as follows:

\$ _____ on _____

\$ _____ on _____

\$ _____ on _____

\$ _____ on _____

\$ _____ on _____

(We request that pledges be paid within five years.)

This is an unrestricted pledge, and it may be used for any corporate purpose within the mission of _____, as determined by the Board of *Trustees* / *Directors* / of _____.

I/we understand that _____ will rely on this pledge in making commitments for expenditures, borrowings, construction projects and other commitments.

Question 9 – answer

The answer is: true.

Section 4 of IRS Notice 2017-73 addresses personal pledges, which effectively allows DAFs to make grants that satisfy pledges so long as the DAF sponsor does not reference the pledge in the grant letter or check. (Don't ask, don't tell)

This is the guidance until the IRS says it's not!

Question 10 – DAF grant part 4

- 10) True or false: A donor can suggest a DAF grant to cover the deductible portion of your annual fundraising event and send a personal check for the non-deductible portion.

Question 10 – answer

False – this is a bifurcated grant.

It is considered self-dealing – one must put the two pieces together in order to make the “whole.”

“But for” the gift portion – the benefit wouldn’t have happened.

Question 11 - Events

- 11) It's event season. Your organization has a fantastic bottle of bourbon to raffle off at \$50/ticket. How do you communicate deductibility to the raffle ticket purchaser?
- a. *Deductible at \$50/ticket*
 - b. *Not deductible*
 - c. *Deductible only to the extent the amount paid exceeds the value of the bourbon.*



Question 11 – answer

The answer is: b – not deductible!

Games of chance are considered entertainment and are not deductible!

Question 12 – Events part 2



- 12) Your organization's event includes a silent auction. One of your board members donates the use of a time share for a week in West Palm Beach. How do you acknowledge the Board member's donation?
- a. *She can deduct the amount of cash received by the organization through the auction for the week's getaway.*
 - b. *No deduction allowed.*
 - c. *Your organization sends an acknowledgement which describes her donation of the use of a week at the timeshare and explains that the deduction is between the donor and her tax advisor.*
 - d. *She can deduct the FMV of a comparable vacation rental in West Palm Beach.*

Question 12 – answer

The answer is: b and c.

There is no deduction for the USE of the property. The use of the condo is a partial interest and is not deductible. - IRC § 170(f)(3)(A)

Question 13 – Events part 3

- 13) Your event attendees bid often and bid high. The week at a timeshare in West Palm Beach sells for \$4,000. What, if anything, is deductible for the buyers?
- a. *\$4,000 – they wrote a check to your charitable organization!*
 - b. *The amount paid in excess of the FMV of a similar rental in the area.*

Question 13 – answer

The answer: b – it is up to the buyer to determine and substantiate the FMV of the item bought.

Donors who provide goods to sell at a charity auction are entitled to claim a charitable deduction for the donor's tax basis in the contributed property and are not permitted to claim a fair market value charitable deduction for the contribution.

Donors who purchase items at a charity auction may claim a charitable contribution deduction for the excess of the purchase price paid for an item over its fair market value. The donor must be able to show they knew the value of the item was less than the amount paid.

Question 14 – Check from investment firm

14) You receive a check from an investment firm. How can you tell what type of gift it is?

It might be which of the following:

- a. *A check drawn on an investment account*
- b. *An IRA distribution*
- c. *A qualified charitable distribution*
- d. *Proceeds from a stock gift*

Question 14 – answer

The answer is: it COULD be any of these things, but we HOPE it's NOT proceeds from a stock gift – unless your organization has a stock clearing account with that firm!

Question 15 – Check from investment firm

15) You are not sure what type of gift it is? What should you do?

- a. *Just acknowledge the donor for a gift of cash. A gift is a gift is a gift...*
- b. *Return the check to the investment firm, asking for clarity.*
- c. *Call the broker and ask.*

Question 15 – answer

The answer is: c – call the broker and ask.

Sometimes, it is unclear who is the DONOR related to a gift from an investment firm. The only one who can identify the donor from whom the gift came is the broker or IRA administrator.

Question 16 – Qualified Charitable Distributions (QCD)

- 16) When acknowledging a QCD gift, your letter should contain:
- a. *No reference to the tax deductibility of the gift.*
 - b. *Standard reference to the tax deductibility of the gift.*
 - c. *Reference to a reduced deduction for gifts of a QCD.*



Question 16 – answer

The answer is: a – No reference to the tax deductibility of the gift.

There is no income tax charitable deduction for a QCD.

For a deductible gift, the income tax charitable deduction reduces the donor's taxable income.

In the case of a QCD, donors have never paid income tax on the money in an IRA so they are not entitled to the benefit of a deduction.

Question 17 – QCD part 2

17) What else should a QCD acknowledgment letter contain?

- a. *The gift was received directly from the IRA administrator*
- b. *The donor intended the gift to qualify as a qualified charitable distribution*
- c. *Your charity is eligible to receive tax deductible contributions*
- d. *No goods or services were provided in exchange for the contribution.*
- e. *All of the above.*

Question 17 – answer

The answer is: e – all of the above.

Question 18 – Donated services

18) A volunteer on your Board is an attorney. He regularly answers legal questions on behalf of the organization. He asks that you issue an acknowledgment letter recognizing \$5,000 of legal advice. Is your Board member entitled to a \$5,000 deduction?

- a. Yes
- b. No

Question 18 – answer

The answer is: b – No – the Board member is entitled to a deduction ONLY for out-of-pocket expenses incurred on behalf of the organization.

Question 19 – Real estate

- 19) An extremely generous donor offers a gift of a parcel of real estate. Your organization has a thorough gift acceptance policy and evaluates the gift, making the determination to accept the gift. How should the donor value the real estate gift in order to claim the deduction?
- a. *The deduction is equal to the net sales proceeds to the charity. A letter from the charity substantiates the deduction.*
 - b. *The donor's estimate of the value of the property is sufficient and may be substantiated using sales of comparable properties.*
 - c. *The appraised value as determined by a qualified, independent appraiser on a Form 8283.*



Question 19 – answer

The answer is: c - donor must have an independent appraisal from a qualified appraiser to substantiate the deduction. Form 8283 is used for this purpose in filing the donor's tax return.

Question 20 – Real estate part 2

20) How is the donor recognized and how is the gift recorded for financial purposes?

- a. *The donor is recognized for the appraised FMV of the gift and the financial system reflects its net sales proceeds.*
- b. *The donor is recognized for the net sales proceeds from the gift and the financial system records the appraised FMV of the gift.*
- c. *The donor is recognized for the appraised FMV of the gift and the financial system reflects the FMV of the gift as well. The gain/loss and transactions costs on the sale are recorded separately in the financial system.*

Question 20 – answer

The answer is: c – appraised FMV of the gift in both systems and the gain/loss and transactions costs on the sale are recorded separately in the financial system.

The net effect of the way that the financial system records the gift is that the net proceeds are reflected but broken into its component parts. The loss or gain on the sale by the charity is accounted for like any other investment of the charity.

Question 21 – Tangible personal property

21) Hoxworth Blood Center receives a gift of an antique car. They put a Hoxworth sign on it and drive it in local parades and appear at community events. What is the donor's deduction for this vehicle?

- a. *Fair Market Value*
- b. *Cost basis*
- c. *Salvage value*



Question 21 – answer

The answer is: a - Fair Market Value

If the gift of tangible personal property has been put to a related use, the donor's deduction is equal to FMV – which must be substantiated through an appraisal if the gift is valued at more than \$5,000.

(In this case the car is a collectible item held for at least one year. For gifts of non-collectible vehicles see IRS Publications 4302 and 4303.)

Question 22 – Tangible personal property part 2

22) After 18 months of using the car in this way, Hoxworth decides it is too expensive and sells the car. What, if anything, is the effect on the donor's deduction?

- a. *No effect – the deduction was taken on the tax return long-since filed.*
- b. *The donor is potentially liable for an overstatement penalty if the fair market value or adjusted basis claimed on the donor's return was 150% or more of the correct amount.*
- c. *The donor must amend his return and change the deduction to the cost basis.*
- d. *The donor must amend his return and change the deduction to the net proceeds of the sale of the vehicle.*

Question 22 – answer

The answer is: b – the sale of the tangible personal property no longer is a related use and the donor's deduction must be limited to his cost basis. This change in use happened within the three-year period for which the IRS requires a form 8282 to be filed which means that the donor should be notified of the change.

The filing of the Form 8282 could trigger an audit potentially subjecting the donor to penalty tax.

Question 23 – Tangible personal property part 3

23) Your organization receives a painting from a Board member who also happens to be the artist. What is the artist's deduction for this painting?

- a. *Fair Market Value*
- b. *Depends on if the painting is put to a related use*
- c. *Cost basis (cost of materials)*
- d. *Nothing*



Question 23 – answer

The answer is: c – the creator of a piece of artwork may only deduct the cost basis of the painting (typically the cost of materials used).

Thank you!

