



Accurately Acknowledging Gifts Other Than Your Basic Check

September 17, 2025

Presented by Amy Cheney and Jeff Lydenberg

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 the 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 9 – answer (cont.)

ROPES & GRAY

ALERT

Tax-Exempt Organizations

December 5, 2017

IRS Notice Provides Guidance on Use of Donor Advised Funds for Pledges and Charity Events

On December 4, 2017, the IRS released a notice¹ that describes proposed guidance the IRS and Treasury are considering with respect to donor advised funds (DAFs). The comprehensive rules governing DAFs enacted in 2006 gave rise to many interpretive questions that have remained unanswered for over a decade. Notice 2017-73 describes regulations the IRS and Treasury are considering that would establish the following rules:

Question 9 – answer (cont.)

1. **Fulfillment of Donor Pledges:** Grants from a DAF that fulfill the personal pledge of a donor, donor advisor or certain related persons (collectively, a “Donor/Advisor”) – even a legally binding pledge – would not be treated as a “more than incidental benefit” under section 4967 of the Code that gives rise to excise taxes so long as the following requirements are satisfied:
 - a. The DAF sponsoring organization makes no reference to the existence of any charitable pledge when making the distribution from the donor’s DAF (references to the name of the person who advised on the distribution are permitted);
 - b. No Donor/Advisor receives, directly or indirectly, any other benefit that is more than incidental on account of the DAF distribution (such as those described below or set forth in future guidance); and
 - c. The Donor/Advisor does not claim a charitable contribution deduction for the DAF distribution, even if the charity receiving the distribution mistakenly sends the Donor/Advisor a tax acknowledgement.

The Notice provides that donors and DAF sponsoring organizations may rely on this guidance relating to fulfillment of pledges immediately.

Question 9 – answer (cont.)

From a Bloomerang Blog*: Can donors use a gift from a DAF to fulfill a pledge?

“No, and yes. It’s a gray area. Technically, once the donor has made the gift and received the full benefit of the tax deduction, the donor no longer has ownership or control over the money. They are allowed to make recommendations; there is no legal requirement the DAF holder follow these recommendations. Traditionally pledge fulfillment via a DAF distribution was a complete ‘no-no.’ Recently Section 4 of IRS Notice 2017-73 addressed personal pledges, effectively allowing donor-advised funds to make grants that satisfy pledges so long as the DAF sponsor does not reference the pledge in the grant letter or check.

The reason for this change was that “allowing satisfaction of Donor/Advisors’ charitable pledges facilitates the giving process.” Even though this is a ‘notice’ and not a ‘regulation,’ you can rely on its advice for now. I still recommend erring on the side of caution. Absolutely do not ask a DAF sponsor to send you a letter indicating the gift is intended as pledge fulfillment! Whether the gift fulfills a donor’s commitment is left to you, the charity, and is not considered the business of the DAF sponsor. I would also recommend against sending a thank you to your donor that references their fulfillment of their ‘pledge.’

You can minimize the likelihood of getting your charity or donor into hot water if you never use the word “pledge” and simply substitute “intent to give.” The former is generally legally binding; the latter is not. This is good practice for all your fundraising, not simply gifts from donor-advised funds....”

* *Strategies to Leverage Donor Advised Fund Philanthropy – FAQs from Bloomerang.com/blog*

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 10 – answer (cont.)

Also from Ropes & Gray Alert:

2. **Charity Events and Membership Fees:** Grants from a DAF that enable a Donor/Advisor to attend or participate in a charity-sponsored event would result in a more than incidental benefit, even if the Donor/Advisor pays the non-deductible portion of the cost of the ticket. This would result in a penalty excise tax on any Donor/Advisor who advises as to the distribution or who received the benefit of the payment from the DAF. The IRS has previously indicated informally that it views grants that enable a Donor/Advisor to attend an event as a violation of the rule prohibiting more than incidental benefits from DAFs. Similarly, a grant from a DAF to pay on behalf of a Donor/Advisor the deductible portion of a charity membership fee that has deductible and non-deductible portions would also result in a more than incidental benefit and penalty excise tax.

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 part 2

- 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.

A brief aside...

Some of the checks received at Crayons to Computers...

118
62-96/011
150

Jan 30, 2021

Pay to the Order of Crayons to Computers \$ 600

Six hundred & no/100 Dollars

The Bank of New York Mellon
1 Wall Street
New York, NY 10286

No Federal or State Taxes Withheld

For

⑆031100157⑆ 7052715274⑆

MERRILL LYNCH
A BANK OF AMERICA COMPANY

Office
Disbursement Account
P.O. Box 43247
Jacksonville, FL 32231-3247

Merrill Lynch,
Pierce, Fenner & Smith Inc.
Check Number 00636-29827

04-1278/611

PAY THREE HUNDRED AND 00/100 DOLLARS

To The Order Of

CRAYONS TO COMPUTERS
1350 TENNESSEE AVENUE
CINCINNATI OH 45229

Date 01/27/2021 Amount \$300.00

MEMO: MR. & MRS. [REDACTED]

0063629827 0061112788 335 987 2036

Front Item Number 0000003

The Hambleton/Fieler Group
Merrill Lynch, Pierce, Fenner & Smith, Inc.
312 Walnut St, Suite 2425
Cincinnati, OH 45202
Tel: 513-579-3807

January 27, 2021

Crayons to Computers
1350 Tennessee Avenue
Cincinnati, OH 45229

Dear Crayons to Computers:

Our client, Mr. [REDACTED] has requested that a distribution be made payable from his individual retirement account to your organization. It is his intention that this distribution be a charitable gift made pursuant to Section 408(d)(8)* of the Internal Revenue Code of 1986 (as amended). On his behalf, we are pleased to enclose check in the amount of \$300.00.

After receiving this charitable gift, kindly send a gift acknowledgement to Mr. and Mrs. [REDACTED]



UBS FINANCIAL SERVICES INC.
8044 Montgomery Road
Suite 100W
Cincinnati OH 45236

meis

Page 1 of 1

-- Check Date Check Number
03/19/2021 0011223554

Normal Dist - Partial

Account Number FA
 WLZZ

Short Name



000107 UBSCKCD2
CRAYONS TO COMPUTERS
1350 TENNESSEE AVENUE
CINCINNATI OH 45229

Activity	Description	Amount
WITHDRAWAL NET AMOUNT	WITHDRAWAL FROM ACCOUNT	<u>\$500.00</u> \$500.00

The attached check is in payment for items described above. Detach and retain this stub for your records.

S 000107 UBSCKCD2 E



70400 Ameriprise Financial Center, Minneapolis, MN 55474

0000619 01 MB 0.447 **AUTO T2 0 2047 45229-101450 -C01-P00820-I



CRAYONS TO COMPUTERS
ATTN. B WILSON
1350 TENNESSEE AVENUE
CINCINNATI OH 45229-1014



DATE	DESCRIPTION	TYPE
03/11/21	NORMAL RET PLAN DISTRIB REG	REG
03/11/21	 CINCINNATI, OH	
03/11/21	45229	
03/11/21	MAIL	
	NORMAL RET PLAN DISTRIB	

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. Provided the gift is an outright QCD gift.

IF the QCD is for a charitable gift annuity, it would be appropriate to add to the statement “No goods or services were provided in exchange for the contribution, **except to the extent of the income from the charitable gift annuity.**”

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!

