

## **A Note Regarding Cash Gifts and Donor Records**

The federal Pension Protection Act of 2006 enacted a slight change to the rules regarding donor recordkeeping required for the deduction of cash gifts.

Under prior law, documentation of all cash gifts was required in order to claim a deduction. One of the acceptable methods of documentation donors could use, however, was to maintain personal written records to substantiate individual cash donations under \$250 in value (e.g., a gift diary, or some other form of "note to self"). (Reg 1.170A-13(a)(iii) used the term of art "other reliable written records") -- Never mind whether individuals were actually keeping those records!

With the PPA of 2006 legislation, this idea of personal accounting for one's cash gifts is no longer acceptable documentation. The donor must have a bank record or a printed receipt from the charity, effective 1/1/2007.

The results of this change are:

- 1) Anonymous cash givers cannot deduct the gift. (That five dollar bill in the offering plate or in the Salvation Army kettle is anonymous and not tax-deductible.)
- 2) If a church receives a cash gift in an envelope that clearly identifies the giver, the gift (amount and date received) must be accounted for and acknowledged in a timely giving statement and/or in a gift receipt letter from the church.

### **Bottomline:**

Make sure your church is keeping thorough and accurate records of all gifts received and providing the necessary written records to the givers.

Notify your congregation in your stewardship materials and/or newsletter about this cash gift issue. Let them know that in order for your church to provide them with the proper tax-reporting documentation, cash gifts must be submitted in an envelope that clearly identifies the giver. (Of course, if a giver is unconcerned about itemizing charitable gifts, there is nothing wrong with anonymous cash gifts!)

Recordkeeping for tax purposes is ultimately the responsibility of the taxpayer, but a church that practices conscientious recordkeeping is earning the trust of its donors. Indeed, we must practice the good stewardship that we preach.