Focus on Foundations: Unacknowledged contributions to charity (including your own foundation) of $250 or more can’t be deducted

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Many people are aware that since 1994, all charitable contributions of $250 or more must be acknowledged in writing, prior to the earlier of the donor’s income tax filing or the due date (with extensions) of the donor’s return. If the donor does not receive a timely acknowledgment, the donor can’t take an income tax deduction for the contribution. This is a "hard and fast" rule. For example, if you file your return on April 1 and take the deduction, but the written acknowledgment is dated April 15, you will not only owe the tax and interest, but potentially penalties.

This means that if you make a contribution of $250 or more to your own foundation, you still must give yourself a written acknowledgement of that contribution, or you will not be able to deduct it on your income tax return.

The form of acknowledgment can be quite simple. It need only describe the gift (giving the amount, if cash), the date of the gift, and whether or not the donor received any goods or services in exchange for any part of the gift (in the case of a donation to your own foundation, you generally cannot receive any goods or services in exchange). For example:

   The John Doe Foundation acknowledges your gift of 100 shares of the common stock of Widget Publicly-Held Corp. on November 1, 2004. No goods or services were provided to you in exchange for any part of this contribution.

IRS publication 1771, Charitable Contributions - Substantiation and Disclosure Requirements, indicates that the acknowledgement can even be made by email. But the email should indicate that it’s being sent in an official capacity.
(i.e., as an officer, trustee or other agent of the foundation). Note that a cancelled check does not satisfy the requirement.

The acknowledgment requirement applies on a gift-by-gift basis. For example, if you give only $200 a month for 12 months, no acknowledgment is required, even though the total annual contributions are $2,400.

You may acknowledge multiple gifts in a single acknowledgment. For example, if you gave $10,000 in January, and $50,000 in December, the foundation need only give you one acknowledgment (but a separate acknowledgment for each gift is okay, too). You should keep the written acknowledgment with your tax records (don't include it with your filed return).

The Internal Revenue Code (Section 170(f)(8)(D)) provides that, pursuant to regulations to be issued, a charity may substantiate the information on its tax return in lieu of providing a written acknowledgment to the donor. Once those regulations are issued, your foundation may opt to use the method set forth in those future regulations. Until those regulations are issued, you must continue to have your foundation give you a written acknowledgment of any contribution having a value of $250 or more.

Note that the above rules apply in the case of donations to any charity, not just private foundations. But we have found that they are especially likely to be overlooked by private foundations and their donors.

**Practices:**

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