



JOHN T SQUIRE CPA

SUSAN A LEMKIN CPA

CHRISTOPHER J MATHEWS CPA

BART J LANMAN CPA CFP®

CLINTON L LEHMAN CPA CMA CFM

ROBERT J KOPERA CPA

NANCY C JOHNSON CPA

SQUIRE, LEMKIN + COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

111 ROCKVILLE PIKE

SUITE 475

ROCKVILLE MARYLAND 20850

301 424 6800 TELEPHONE

301 424 6892 FACSIMILE

EMAIL SUPPORT@MYCPAS.COM

WWW.MYCPAS.COM

A recent and very harsh Tax Court ruling has placed even more emphasis on charitable organizations to adhere to the IRS regulations regarding contributions and the acknowledgement letters provided for those contributions. Recently, the Tax Court disallowed a taxpayer's substantial charitable contribution deduction because the charitable organization failed to provide a properly completed contemporaneous written acknowledgment of the contribution.

This Tax Court decision illustrates the need for taxpayers to be vigilant about receiving from donee organizations a proper and timely acknowledgment of charitable contributions of \$250 or more. A cancelled check and a simple written acknowledgment aren't enough to substantiate a deduction. Further, a failure to receive the proper acknowledgment can only be remedied by the donee within a relatively short window of time.

For contributions of \$250 or more, under Code Section 170(f)(8), organizations must provide a written acknowledgment that includes the following information (emails or letters are acceptable):

- The amount of any cash the taxpayer paid and a description (but not necessarily the value) of any property other than cash the taxpayer transferred to the donee organization.
- A statement of **whether or not the donee organization provided any goods or services to the donor in consideration**, in whole or part, for any cash or other property contributed.
- If the donee organization provided any goods or services to the donor in exchange for the cash or other property, a description and good faith estimate of the value of the goods and services provided must be included.

The acknowledgment should also note that the donee is a qualifying charity under IRC 501(c)(3).

A written acknowledgment is considered contemporaneous if it is provided to the taxpayer on or before the earlier of:

- The date the taxpayer files the original return for the taxable year in which the contribution was made; or
- The due date, including extensions, for filing the taxpayer's original return for that year.

In a separate recent case, a charitable deduction for approximately \$18.5 million was disallowed the taxpayer with respect to real estate contributed to a charitable remainder trust because the donor failed to adhere to the rules pertaining to qualified appraisals of in-kind gifts in excess of \$5,000. The case did not deny the legitimacy of the donation, but disallowed the deduction because the taxpayer did not follow proper appraisal procedures dictated by the statute.

Both cases underscore the importance of making sure that you, as a qualifying charity, are familiar with and adherent to the IRS requirements associated with charitable donations.

If you have questions about these cases, or would like for us to review the acknowledgement letters that you provide to contributors to ensure your organization is meeting IRS requirements, please do not hesitate to contact us.

Sincerely,


Squire, Lemkin + Company, LLP