

# The Helping Hand Newsletter

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Issue 2

## Letter from the President

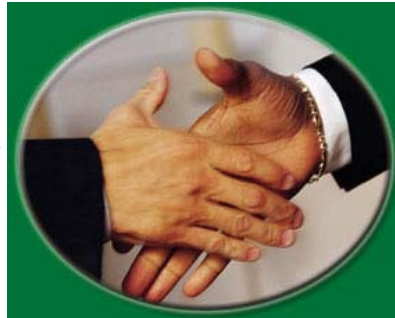
We are proud to present The Helping Hand, a newsletter provided by the staff at The Wise Solutions Group, Inc. Personally, I have awaited this time for quite a while. We hope we can provide some helpful information to the members of God's Church. Each publication will include our *Compliance Corner* where we talk about issues that churches are confronted with while administering the church. This month we are talking about Contribution Statements, and include links from important sites to help you generate contribution statements for your members. Future publications will include discussions on church incorporation, compliance and tax liability issues. Also please enjoy our *Corner Chuckle* where we share some good old-fashioned church humor.

Your feedback is welcome. We want to improve as we go forward and would love to have your feedback.

Please email me personally, [TheHelpingHand@ChurchKeeper.com](mailto:TheHelpingHand@ChurchKeeper.com)

May all God's churches be Blessed!

Glendon Kemp  
President  
The Wise Solutions Group, Inc.



Welcome  
to Our Family

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## WSG's Mission Statement

We are CALLED to help churches

The owners and staff at The Wise Solutions Group, Inc. are sincerely and genuinely concerned and interested about your church. We are not a cold natured business who wants to just sell software. We want you to use our software to grow your church. After talking with church Administrators, Secretaries, Treasurers and Pastors around the country, we took their ideas and thoughts and put them into ChurchKeeper. We invite you to call and give us your ideas and thoughts. We want to make your jobs easier to manage your membership and contributions, which brings us to our mission statement: To Help Grow God's Community!!

To our current clients, *thank you* for your trust in our company and our software products.

If you are not a client, we invite you to download and review a free trial of:

**ChurchKeeper**—Church Management Software (for membership and contribution activity) and

**ExpenseKeeper**—Financial Management Software (write checks, manage payroll, create budgets, create income/expense reports).

[www.ChurchKeeper.com](http://www.ChurchKeeper.com)

## Church Contributions

Churches receive millions of dollars in donations. Individuals or families may receive a deduction on their tax returns for these donations. These donors will need to provide one of several items in order to receive these deductions. This article will focus on the recording and reporting of contributions. **Publication 526 – Charitable Contributions** from the Internal Revenue Service defines requirements for both individuals and churches.

Let's investigate Publication 526. Firstly, what exactly is this publication for? On page 2 of this publication is an introduction and it states:

*“This publication explains how to claim a deduction for your charitable contributions. It discusses organizations that are qualified to receive deductible charitable contributions, types of contributions you can deduct, how much you can deduct, what records to keep, and how to report charitable contributions. A charitable contribution is a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without getting, or expecting to get, anything of equal value.”*

The last sentence is so valuable and really answers many of the questions you may have about what a donor can deduct.

Before we discuss that in detail: What exactly is a charitable organization, and how does that affect churches?.

***Organizations That Qualify To Receive Deductible Contributions*** (page 2 of publication 526)

*‘You can deduct your contributions only if you make them to a qualified organization. To become a qualified organization, most organizations other than churches and governments, as described below, must apply to the IRS.’*

Notice the second sentence! Most organizations must apply other than churches and governments.

**??What about Churches??** Churches are considered qualified organizations, but do not have to go through the process of applying.

It is not our intent to restate publication 526, and we are quite sure you would not want nor enjoy reading it, so we are going to summarize and try to get to the meat of this publication.

**Contributions that cannot be deducted.** On page 6 of this publication defines contributions that a donor cannot deduct. The following are some contributions you cannot deduct:

1. A contribution to a specific individual
2. A contribution to a nonqualified organization
3. The part of a contribution from which you receive or expect to receive a benefit
4. The value of your time or services
5. Your personal expenses
6. Appraisal fees
7. Certain contributions of partial interests in property

## Types of Contributions

Next, understand that there are two types of contributions. Donors can donate either cash or property to a church, and the requirements and record keeping are entirely different. The most prevalent contribution is a cash contribution, and most churches receive these on a regular basis, usually weekly.

First, let's talk about the reporting requirements for a non-cash contribution such as property, equipment, or materials. Individuals who donate these may only deduct the fair market value for these contributions.

### ***Non-Cash Contributions*** (page 17 of publication 526)

How a donor claims non-cash contributions depends on the fair market value of the item donated. Items less than \$250, the donor must receive a receipt from the charitable organization showing:

- 1) The name of the organization,
- 2) The date and location of the charitable contribution,
- 3) A reasonably detailed description of the property.

If the non-cash contribution is more than \$250, then the donor must receive a receipt from the charitable organization showing all the above, plus:

A statement about the fair market value (good faith estimate) of the item donated.

**May we suggest?** A good practice for a church is to simply generate on church letterhead stating as follows:

Thank you for your contribution to Wind Mill Church, located at 123 Main Street, in Any City, ST, USA. The following is a reasonably detailed description of the item(s), and the date the item was donated.

<u>Item Description</u>	<u>Date Donated</u>	<u>Fair Market Value **</u>
Gateway Pentium Computer	03/10/2006	_____
HP LaserJet Printer	03/10/2006	_____

\*\* Note the fair market value of this item was determined by the donor.

No Goods or Services were received in exchange for these donations.

Sincerely,

Jane Smith  
Church Secretary

Notice that the church did not appraise the item, but simply provided the required information so the donor could then appraise the item themselves, and claim this on their tax returns.

If a non-cash contribution is valued at \$500 or more the donor must obtain all the above plus file form 8283 with their return.



## **Cash Contributions** (page 16 of publication 526)

Reporting and recording of cash contributions also vary depending on the amount of the contribution. For contributions less than \$250, the following must be obtained or recorded by the donor.

### **Contributions less than \$250**

- 1) A cancelled check, or a legible and readable account statement that shows:
  - a) If payment was made by check – the check number, amount, date posted, and to whom paid,
  - b) If payment was by electronic funds transfer – the amount, date posted, and to whom paid, or
  - c) If payment was charged to a credit card, the amount, transaction date, and to whom paid.
- 2) A receipt (or letter or other written communication) from the charitable organization showing the name of the organization, the date of the contribution and the amount of the contribution.
- 3) Other reliable written records that include the information described in (2). Records may be considered reliable if they were made at or near the time of the contribution, were regularly kept by you, or if, in the case of small donations, you have buttons, emblems, or other tokens, that are regularly given to persons making small cash contributions.

### **Contributions of \$250 or more**

You can claim a deduction for a contribution of \$250 or more only if you have an acknowledgement of your contribution from the qualified organization or certain payroll deduction records. If you made more than one contribution of \$250 or more, you must have either a separate acknowledgement for each or one acknowledgement that shows your total contributions.

#### **Acknowledgement. The acknowledgement must meet these tests.**

1. It must be written.
2. It must include:
  - a. The amount of cash you contributed
  - b. Whether the qualified organization gave you any goods or services as a result of your contribution (other than certain token items and membership benefits) and
  - c. A description and good faith estimate of the value of any goods or services described in (b). If the only benefit you received was an intangible religious benefit (such as admission to a religious ceremony) that generally is not sold in a commercial transaction outside the donative context, the acknowledgement must say so and does not need to describe or estimate the value of the benefit.
3. You must get it on or before the earlier of:
  - a. The date you file your return for the year you make the contribution, or
  - b. The due date, including extensions, for filing the return.



## Special Note:

**The Pension Protection Act of 2006 requires all cash contributions to be itemized.**

## The Pension Protection Act of 2006

On August 17<sup>th</sup>, Congress passed a new law toughing the requirements for contributions. The new law supports all the above, however if the church is to provide a statement, it should show the details of all the contributions for a donor. Details include the date of the contribution, the amount, and a check number, or reference number.

**May we suggest?** A good practice for a church is to simply record cash contributions and generated a year-end contribution statement that complies with the above. Make sure you show a detail of all contributions and not just for those that are \$250 or more. An example would be the statement generated by ChurchKeeper, Church Management Software available at [www.churchkeeper.com](http://www.churchkeeper.com).

Generate a statement that shows the name, and address of the church, along with a listing of contributions over \$250 itemized as above. At the bottom of this statement, place the verbiage "No goods or services were received in exchange for these donations". That is if this statement is true. Show a grand total of all cash contributions (as this is the entry used in the worksheet that will be applied to form 1040) for the donor. Remember that dependants or children should be shown on the head of household's statement as he can receive credit for their contributions. Remember, if donors contributed property or items, use the letter in non-cash contributions above.

Simply put, record true cash contributions separately, and report cash and non-cash separately.

## Corner Chuckle

Corner Chuckle! Laughter truly can be the best medicine. Today's chuckles come from actual exerts from Church Bulletins and include some of my favorite. You may have read some of these before.

Weight Watchers will meet at 7 PM at the St. Martin's Church. Please use large double door at the side entrance

The Fasting & Prayer Conference includes meals

The sermon this morning: "Jesus Walks on the Water." The sermon tonight "Searching for Jesus."

Ladies, don't forget the rummage sale. It's a chance to get rid of those things not worth keeping around the house. Don't forget your husbands.

Jane and John, members of our church were married on October 24 in the church. So ends a friendship that began in their school days.

Eight new choir robes are currently needed due to the addition of several new members and to the deterioration of some older ones.

Potluck supper Sunday at 5:00 PM - prayer and medication to follow.

The ladies of the Church have cast off clothing of every kind. They may be seen in the basement on Friday afternoon.

The pastor would appreciate it if the ladies of the congregation would lend him their electric girdles for the pancake breakfast next Sunday.

Low Self Esteem Support Group will meet Thursday at 7 PM. Please use the back door.