

Donation Acknowledgement Letters: A Guide for Charitable Organizations

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Find out what the IRS requires, what donors expect, and CLA recommendations for acknowledging contributions.

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Nonprofits treasure donations in any amount because they're the lifeblood of almost every charity. While most charities quickly send a "thank you" note for all donations, we recommend incorporating IRS guidance in your donation acknowledgement letters.

When is a donation acknowledgement letter required?

The IRS changed the rules in recent years for donation documentation, requiring charities provide written acknowledgement of all donations \$250 or more. While the IRS requirement is only for \$250 and above, we recommend charitable organizations send acknowledgement letters for all donations as a prompt "thank you" to their supporters.

What is the deadline for an acknowledgement letter?

The organization is required to provide "contemporaneous" acknowledgement, defined as the earlier of:

- The date the donor files his/her tax return for the year the contribution is made, or
- The due date, including extensions, for filing the tax return.
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What is required in a donation acknowledgement letter?

The IRS requires that a donation acknowledgement include the following:

- Organization's full legal name
- Date of donation
- Amount of cash/check donation
- In the case of a noncash donation, the charity should also provide a description (but not value) of the donated item(s)

A donation acknowledgement also needs one of the following:

- Statement that no goods/services were provided in exchange for the donation and that the only benefit to donor was an intangible benefit, or
- Description and estimated value of goods/services provided in exchange for the donation, and the net resulting deductible amount.

Regarding the goods and services provided, there are exceptions for "token" items a donor receives, such as logo coffee cups and tee shirts, or goods or services with an "insubstantial value". In this circumstance, "insubstantial value" of the good or service is defined as:

- The lesser of 2 percent of the donation or a specific amount designated by the IRS Revenue Procedure for that tax year, or
- The goods provided include the organization's logo and the cost of the items fall below the low-cost articles threshold of \$10.60, as long as the donation is in excess of \$52.

In these cases, a charity should indicate that "no goods or services were provided in exchange for the donation."

Additional recommendations: donor-centric thank you letters

If practical, charitable organizations should provide a donation acknowledgement letter within weeks of receiving a gift. We also recommend that a charity provides an additional acknowledgement letter by January 31st for the previous year to more substantial donors as an additional “thank you” and another contact with your supporters.

A donation letter is an opportunity to keep supporters engaged, and we recommend organizations consider including some of the following:

- Example of how donations were recently used
- Simple success stories of the charity
- Short-term and long-term goals
- Statement that you will not forget donors
- Invitation to follow the charity on social media
- Personal stories from staff and volunteers

For more information, visit CLAconnect.com/nonprofit or contact Ann Swindell, Manager, CliftonLarsonAllen at ann.swindell@claconnect.com or 208-387-6441