



Miller Verchota, Inc.
Certified Public Accountants

444 North Route 31
Suite 104
Crystal Lake, IL
Phone: (815) 477-8000
Fax: (815) 477-7170

To Our Clients and Friends:

One of the most popular tax deductions for individuals is the one allowed for donations to charitable organizations—from the local church or synagogue to the Red Cross and various other national organizations. Unfortunately, over the last several decades, this deduction has also been among the most abused. Thus, perhaps it is not surprising that Congress has responded to the problem by regularly enacting more rules around documenting donations.

What we're left with is a confusing array of rules that you have to comply with in order to claim a deduction. A recent court case illustrates how easy it is to run afoul of the documentation requirements.

In the case, the taxpayers donated around \$22,000 to their church during the tax year. Although the donations were made by check and the taxpayer provided canceled checks to document the gift, the IRS disallowed the deduction because the taxpayers failed to obtain a timely receipt from their church to support the donations. Such receipt (or receipts) must be received by the time you file your return for the year of the donation (or, if earlier, by when the return is due). In addition, it must include all of the following:

1. The name and address of the charity.
2. The date of the contribution.
3. The amount of cash and/or a description (but not an estimate of value) of any property contributed.
4. A list of any significant goods or services received in return for the donation (other than intangible religious benefits) or specifically state that the donor received no goods or services from the charity.

In the case at hand, the taxpayers had a receipt from their church, but it did not contain the required statement regarding whether goods or services were provided. They tried to correct this omission by getting a new receipt from their church after the IRS challenged the deduction. By then, of course, it was too late.

While this letter has given you just a glimpse at the substantiation rules for charitable donations, the rules can get much more complicated, especially when you make charitable donations of property other than cash. We'd be happy to discuss with you any of the requirements for specific types of donations. Please feel free to call us as the need arises.

Best regards,

Miller Verchota, Inc.

Miller Verchota, Inc., CPA's