

Receipting/Acknowledging Noncash Gifts to the University

June 27, 2016

University departments may receive various kinds of noncash donations, including the services of volunteers, merchants, or other providers, and in-kind items. Persons and entities making noncash donations may be eligible for tax deductions for charitable contributions. This guideline gives information on how to provide a receipt (or acknowledgement) of noncash donations valued at less than \$5,000 when there is no need to have nontax gift credit reported to the foundations. Please contact the Tax Management Office for information on how to process noncash donations having a value greater than \$5,000 or contact the foundations directly for donations requiring nontax gift credit recognition.

Note: Under University policy, donations of cash or marketable securities must be processed by the appropriate foundation (University of Minnesota Foundation, the University of Minnesota Arboretum Foundation or the Minnesota 4-H Foundation).

Requirement to Receipt/Acknowledge Noncash Gift

Any taxpayer making a noncash contribution must obtain a receipt/acknowledgement from the charitable organization, except where doing so is impractical (e.g., deposits of property at a charity's unattended drop site). Failure to provide a receipt/acknowledgement may prevent a donor from obtaining the appropriate tax deduction. Therefore, it is important that University units provide donors of noncash gifts with a timely and complete receipt/acknowledgement.

Receipt/Acknowledgement Must Disclose Certain Benefits Received

Not every transfer to the University is deductible as a charitable contribution. For example, if a donor receives a benefit equal in value to his donation, then the value of the donation may not be deductible as a charitable contribution. If a donation is one that constitutes a part gift, part purchase, then the University has a responsibility to value the purchased benefit received by the donor. Specifically, tax law generally requires that when the value of the donation exceeds \$75, the University collegiate unit must disclose the nature and a good faith estimate of the value of the items/benefits received by the donor in exchange of the donation or, alternatively, provide a statement that no substantial benefits were provided to the donor in the receipt/acknowledgement. Each University department will need to know the details surrounding the donation event/transaction to accurately provide these required disclosures in the receipt/acknowledgement.

JUNE 27, 2016

Safe Harbor Exceptions: Under a couple of safe harbor rules the IRS says that if a benefit is inconsequential or insubstantial, the full amount of the contribution may be claimed as a deduction. Examples of such benefits would be token items (bookmarks, calendars, key chains, mugs, posters, tee shirts, etc.) bearing a University name or logo. The first safe harbor exception is when the cost (as opposed to the fair market value) of all of the benefits received by the donor are within limits established for low cost articles. For 2016, the cost of these low cost articles cannot exceed \$10.60. The second safe harbor exception applies when the fair market value of these items do not exceed the lesser of 2% of the donation or \$105.00. Either safe harbor may be applied to negate the aforementioned disclosure by the University for the value of the benefits received by the donor making the donation.

Limitations on the Valuation of Services and Inventory

Generally, taxpayers who donate services can only deduct any out-of-pocket expenses that may be associated with their donation. Also, donations of items that are classified as inventory in the hands of the donor are subject to certain valuation limits. Thus the value of these kinds of donations for tax purposes is entirely dependent upon the donor's facts and circumstances and can be determined only by the donor. Therefore, University units ***should not specify any donation value*** in the receipt/acknowledgement provided to donors of services or inventory.

Deadlines for Providing Timely Receipt/Acknowledgement

Tax law requires "adequate substantiation" of donations, which generally means a contemporaneous written receipt/acknowledgement. For purposes of this requirement the IRS has defined "contemporaneous" to mean that a receipt/acknowledgment must be received on or before the earlier of: (a) the date the taxpayer files a return for the year of the donation; and (b) the deadline date, including extensions, for filing that return. Written acknowledgements should be provided as soon as practicable, if not in the same calendar year as the donation, no later than January 31st of the following year.

See Examples of Language to Use for the Receipt/Acknowledgement Below

JUNE 27, 2016

Receipt/Acknowledgement Examples that Substantiate Noncash Charitable Contributions

Example 1 – Receipting/acknowledging donations of noncash gifts – no return benefits provided to donor

[Donor’s Name]

[Address]

Dear [Donor]

Thank you for generously donating [Describe the Noncash Gifts in the Aggregate] to the [University Collegiate Unit] for the [Describe the Fundraising Event or Purpose of Donation] on [Provide Date of Donation]. No goods or services were provided to you in exchange for your donation.

On behalf of the [Description of University Collegiate Unit], I would like to express deep appreciation for your support.

Sincerely,

[name]

[Title]

[University Collegiate Unit]

Example 2 – Receipting/acknowledging donations of noncash gifts – return benefits provided to donor

[Donor’s Name]

[Address]

Dear [Donor]

Thank you for generously donating [Describe the Goods in the Aggregate] to the [University Collegiate Unit] for the [Describe the Fundraising Event or Purpose of Donation] on [Provide Date of Donation]. In exchange for the donation the University of Minnesota provided you with [insert description of item(s)], which has(have) an estimated fair market value of \$_____.

On behalf of the [Description of University Collegiate Unit], I would like to express deep appreciation for your support.

Sincerely,

[name]

[Title]

[University Collegiate Unit]