



American Legion Auxiliary  
Department of North Carolina

## ACKNOWLEDGING DONATIONS

The IRS requires public charities to send a formal acknowledgment letter for any donation of more than \$250.00. The donor may use this letter as proof of his or her contribution and claim a tax deduction. Most charities send an acknowledgement for all donations, even small ones.

There are two steps to thanking a donor. The first has to do with establishing a good relationship with each donor, and the other action has a very legal purpose. First, you need a warm thank you letter, but you must include legally required information so that donors can document that they gave a tax-deductible donation to your charity.

Both goals, thanking the donor and satisfying the legal requirements, can be accomplished at the same time or separately. Most charities manage to achieve both conditions within one letter.

### When You Should Acknowledge a Donation for Tax Purposes

The IRS says that acknowledgement must be made “in writing, at the time of solicitation or when the payment is received, and in a way that will come to the attention of the donor.” (See IRS Publication 1771)

Acknowledgment of donation must occur no later than January 31<sup>st</sup> of the year following the gift. However, best practice suggests that charities should send an acknowledgment as soon as possible after the gift is received.

There is no legal prescription for the format any acknowledgment letter must take. For instance, it could be a postcard, an email, or a physical letter. But keep in mind an email message might not be noticed in a crowded mailbox or even end up in the donor’s spam folder.

### What You Must Include in the Acknowledgment

- Your organization’s name
- A statement saying that you are a 501 c 19 tax-exempt organization.
- The date the donation was received.
- The amount of the cash contribution (cash means checks or credit cards)
- A description (but not value) of a non-cash gift. The donor estimates the value of non-cash contributions when reporting them to the IRS on his tax return.
- A Statement that no goods or services were provided by the organization, if applicable
- A description and good faith estimate of the value of goods or services, if any, that the organization provided in return for the contribution. An example could be a dinner where some of the money pays for the meal while the rest is a donation.
- A statement that goods and services, if any, that the organization provided in return for the contribution consisted entirely of intangible benefits if applicable. An example might be a small gift valued at less than \$75, such as a mug or tote bag with the organization’s logo.

## What Will Happen If My Organization Doesn't Provide a Proper Acknowledgment?

The IRS has denied tax deductions to donors who cannot offer proper acknowledgment for their donation to a charity.

There is no reason your organization cannot provide a warm thank you that will encourage your donors to give to you again and fulfill your obligations to provide an IRS acceptable acknowledgment of the donation.

Although acknowledgment language should be suited to each charity, here are two examples of statements that meet all the requirements. The first came at the end of a written letter sent by mail; the second was part of an email thank you.

*“As a 501c19 charity, tax laws require us to notify you that this letter is the official acknowledgment of your gift. Also, we are required to certify that you received no goods or services in consideration of this contribution; therefore, the full amount of your gift is tax-deductible. Thank you!”*

*“American Legion Auxiliary Unit #\_\_\_\_, Department of North Carolina, a 501 (c) (19) not for profit organization, has not provided any goods or services, in whole or in part, to you in consideration for this voluntary cash contribution. If you wish to claim the tax deductibility of this gift in the US, please retain this acknowledgment letter for your files. American Legion Auxiliary Unit #\_\_\_\_’s EIN number is \_\_\_\_\_.”*

Both examples work for cash donations, but what if the gift is not cash, but property or physical goods of some sort? In that case use language like this example:

*“Thank you for your contribution of the one used refrigerator and one used stove that American Legion Auxiliary Unit #\_\_\_\_ Department of North Carolina, a 501 (c)(19) not for profit organization, received on (date). No goods or services were provided in exchange for your contribution.*