

IRS now demands receipts for even small church donations: New tax law affects charitable deductions

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The next time you toss bills into the church collection plate, you might want to ask the usher for a receipt.

New federal rules for the 2007 tax year—which took effect January 1—forbid tax deductions for charitable donations unless the taxpayer can substantiate the donation through receipts or official financial records.

The rules, enforced by the Internal Revenue Service, require that people claiming charitable donations back up those deduction claims with canceled checks; records from banks, credit card companies or credit unions; or written notices from the charity or not-for-profit institution.

In the past, the IRS has allowed personal notes, diaries or bank registers as sufficient proof that a person actually placed those \$5, \$10 or \$20 bills in the basket each week of the year.

Congress approved the new guidelines in August as an add-on to the Pension Protection Act of 2006, which deals mostly with pension and retirement savings. President Bush signed them into law. The new rules cover monetary donations to all charitable institutions, not just religious ones.

The changes shouldn't affect the giving habits of people who already use church-provided envelopes, write checks or donate over the Internet. They can still receive records from the church, bank or credit card company.

A certain percentage of worshipers give anonymously. At St. Genevieve's Catholic Church in Elizabeth, New Jersey, for example, nearly 20 percent of the \$7,000 collected each week is cash that the church cannot connect to anybody, said George Gillen, the church's pastor.

Cash donors who throw their bills unfettered into collection plates must change their habits if they want to claim deductions, said Todd Polyniak, a partner in Sax Macy Fromm & Co., a firm in Clifton, New Jersey.

In the end, Polyniak said, some not-for-profit organizations will bear the burden of the new rules. "A lot of them don't have the resources to provide all this documentation," he said. "It is going to take away from their mission. Or they're going to have to say to folks who are contributing cash, 'Look, we can't really provide you with the documents.'

"I feel the pain of the not-for-profits more than for the government, but I can understand why the government's doing it. . . . The government is responding to what they perceive as abuse, and the way they see it, a lot of small dollars add up to big dollars." *-Religion News Service*