

Contributions to “Qualified Organizations” Deductible

The AIS, most of the AIS sections, cooperating societies, and regions, the TBIS, and a growing number of the affiliates are recognized by the IRS as a “qualified organization.” This means that contributions by individuals that itemize tax deductions on Schedule A (Form 1040) are tax deductible on the donor’s state and federal income tax returns.

Deductible contributions include donations of cash, things of value, and out-of-pocket expenses incidental to voluntary services in furtherance of the region’s purposes. Up to established limits, deductible expenses may also include the costs of transportation, lodging, and meals while away from home.

For irisarians these deductions may be important. For example, the reasonable and necessary expenses of office, including attendance at board meetings by board members, officers, editors, committee members, affiliate delegates, and all others necessary to conducting the business of a qualified organization are deductible.

Similarly, judges, apprentices, clerks, and show entrants may deduct expenses incident to required activities at regional shows.

Judges are particularly well positioned to claim deductions because of the many requirements imposed to maintain their official status, including growing representative newer irises, traveling to shows and gardens, and attending continuing education classes.

Likewise, the expenses of growing plant material for auction at fundraisers are deductible, as are the expenses of guest garden hosts and planners putting on regional treks.

The monetary value of time for personal services is, alas, not deductible. Nor is the cost of raffle tickets.

Guidelines for deductions are covered in IRS Publication 526, “Charitable Contributions.” Generally, a donor can deduct contributions to a qualified organization of money or property and out-of-pocket expenses when s/he serves as a volunteer. If a donor receives a “benefit,” s/he can deduct only the amount that is more than the value of the benefit. For the excess amount to qualify, s/he must pay it with a “donative intent.”

Membership fees are deductible for amounts that are more than the value of the benefits received. The rule is disregarded if the annual fee is less than \$75.

The basic rules for claiming expenses incidental to giving services as a volunteer are that they must be (1) unreimbursed, (2) directly connected with the services, (3) expenses the donor had only because of the services, and (4) not personal, living, or family expenses.

Donors can not deduct expenses in attending a convention if they go only as members of an iris-related organization rather than a “chosen representative.” They can, however,

deduct unreimbursed expenses when performing services during the convention. A chosen representative, however, can deduct unreimbursed expenses for travel and transportation, including a reasonable amount for meals and lodging while away from home overnight in connection with the convention. They can not deduct personal expenses for sightseeing, but can deduct expenses for attending gardens and events directly related to their duties as judges, apprentices, editors, garden writers, photographers, etc.

Special record keeping rules may apply. See IRS publications 526 and 1771 for details. For example, an organization generally must give a written statement if it receives a payment that is more than \$75 and is partly a contribution and partly for goods or services.

Special record keeping rules also apply when claiming single deductions of \$250 or more in the form of unreimbursed out-of-pocket expenses for transportation, lodging, and meals away from home. Under such circumstances, IRS Publication 1771, "Charitable Contributions – Substantiation and Disclosure Requirements," provides that the donor must obtain a contemporaneous written acknowledgement from the organization containing a description of the services provided by the donor, a statement of whether or not the organization provided goods or services in return for the contribution, and a description and good faith estimate of the value of goods and services, if any, that an organization provided in return for the contribution. To be "contemporaneous," the acknowledgement must be dated prior to filing the tax return.

An organization can assist a donor by providing a timely, written statement. Better yet, the donor can provide a letter for the signature of an officer of the organization, together with a stamped self-addressed envelope, essentially as follows:

To the Examiner:

This is to certify that ___ served ___ of the American Iris Society (EIN 94-2641312 for AIS, or whatever EIN applies) in the capacity of ___ and ___ and ___ for the tax year ___. To perform these duties, s/he was required to attend and participate in the activities listed below at a convention held in ___ during the period ___ to ___. Expenses were not reimbursed. Signed ___, Title ___

Dated ___ .

Donors should not attach the acknowledgement to their individual income tax return, but must retain it to substantiate the contribution in the event of audit. Separate contributions of less than \$250 are not aggregated by the IRS for purposes of requiring the acknowledgement. An example of when an acknowledgement is not required could be separate donations to an exempt organization of less than \$250 each, even though the donor's annual total contributions may be \$250 or more.

The two cited IRS publications, 526 and 1771, can be obtained on the internet at www.irs.gov. These official IRS publications and rulings govern.

These guidelines can be elusive. For example, travel away from home expenses can be deducted “only if there is no significant element of personal pleasure, recreation, or vacation in the travel.” Then they go on to say, “The deduction for travel expenses will not be denied simply because you enjoy providing services to the charitable organization. Even if you enjoy the trip, you can take a charitable contribution deduction for your travel expenses if you are on duty in a genuine and substantial sense throughout the trip. However, if you have only nominal duties, or if for significant parts of the trip you do not have any duties, you cannot deduct your travel expenses.”

But if you are on duty in a genuine and substantial sense during only part of a day, and in the evening you go to the theater, you can claim your travel expenses, but you cannot claim the cost of your evening at the theater.

The lessons to the AIS volunteer and conventioneer are clear: Actively participate “in a genuine and substantial sense.” Vie for positions affording “chosen representative” status. Attend board meetings as a director, officer, committee chair, or affiliate delegate. Participate in section meetings. Volunteer for behind the scenes support duties. Attend judges’ training. Take the tests for credit. Mentor youth during garden tours. Write up gardens for newsletters. Take photos. Use the photos to illustrate presentations. Eschew non-deductible raffles. Instead, contribute with a generous “donative intent” at fundraising auctions and boutiques.

P.S.: And don’t forget to keep required records. Bob Plank