

# Routine Transaction Reporting For Not for Profit Organizations



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Have you ever come across a fairly routine transaction but did not know how to report it? Here are some easy guidelines for auction items, volunteer expenses, donated vehicles and scholarships vs. prizes and awards.

## Auction Items

1. Donors of auction items can receive a deduction for the fair market value of the donated item. The usual substantiation requirements apply to these noncash donations:
  - › For contributions greater than \$250, the organization must substantiate the contribution by contemporaneous written acknowledgement that includes the description (but not the value) of any property contributed, whether the donee organization provided any goods or services in consideration, in whole or in part, for any property described, and a description and good faith estimate of the value of any goods or services provided.
  - › For contributions greater than \$5000, the organization must also obtain a qualified appraisal of the property.
2. Purchasers of auction items can claim a deduction if the sales price of the auction item exceeds the fair market value of the item and the purchaser had a charitable intent, the excess is reported as a contribution received. Notifying the donor of the fair market value prior to the auction can establish intent if the item is purchased in excess of the stated fair market price. An acknowledgement is required that states a good faith estimate of the article purchased.

## Volunteer Expenses

1. Volunteers may make a contribution in the form of unreimbursed expenses; expenses directly connected with the volunteer services provided (cannot be personal, living or family expenses, such as paying a babysitter while they do the volunteer work).

2. Some common examples of volunteer unreimbursed expense include:
  - › Board member's unreimbursed travel expenses incurred to attend a board meeting
  - › Mileage incurred in connection with volunteer services
  - › Cost and upkeep of uniforms that must be worn while providing services.
3. If a single contribution is in excess of \$250 in unreimbursed business expenses, the volunteer must get an acknowledgement that contains a description of the services provided by the donor, a statement as to whether the organization provided goods or services in return for the contribution and a description and good faith estimate of the goods or services provided in return for the contribution, if any.

## Donated Vehicles

1. The deduction is generally limited to the gross proceeds of the sale of the donated vehicle. An organization that receives a qualified vehicle that has a claimed value of more than \$500 must file Form 1098-C with the IRS and furnish Copy B to the donee. Copy B can also serve as the donee charity's contemporaneous written acknowledgement of the contribution. If Copy B is used for the acknowledgement, it must be furnished to the donor no later than 30 days after either the date of the sale in an arm's length transaction to a related party, or the date of contributions if the donee charity certifies that the vehicle will not be transferred for money, other property, or services before the completion of material improvement of significant intervening use, of the date of contribution if the donee charity certifies that the vehicle will be transferred to a needy individual for significantly below fair market value in furtherance of its charitable purpose.
2. If the fair market value of the donated vehicle is greater than \$500 and the charity sells it for less than \$500, the donor may take a deduction for \$500.

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- › Makes a significant intervening use of the vehicle (actually use the vehicle to substantially further its regularly conducted activities)
- › Makes material improvements to the vehicle (increases the vehicles value and is not funded by the donor of the vehicle – does not include painting, rust proofing, removal of dents or scratches, the cleaning or repair of upholstery, or the installation of theft deterrent devices)
- › Donates or sells the vehicle to a needy individual at significantly below market price if the transfer helps a poor person in need of transportation

## Scholarships vs. Prizes and Awards

1. A scholarship is defined as an amount paid or allowed to a student at an educational institution for the purpose of study. It does not include amounts that are in exchange for services to the organization. Scholarships are generally taxable unless they are categorized as “qualified”. A qualified scholarship must be used to pay for tuition and related expenses for a candidate for a degree at an educational organization.
2. Scholarships are not subject to reporting and withholding – even if non-qualified and taxable to the recipient.
3. Prizes and awards include but are not limited to amounts received from radio and television giveaways, door prizes, and awards in contests of all types, as well as any prizes and awards from an employer to an employee in recognition of some achievement in connection with his employment.
4. All prizes and awards are includible in gross income unless they qualify for one of the following exclusions:
  - › Prizes and awards for religious, charitable, scientific, educational, artistic, literary, or civic achievement which the pay or transfers to a governmental unit or charity at the recipient’s request.
  - › Employee achievement awards of tangible

personal property, to the extent the cost of the award is deductible by the employer

- › Qualified scholarships

5. Prizes are subject to reporting on Form 1099-MISC (box 3)

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