

INFP

**Crafting a Gift
Acceptance Policy**

**Most Donors Make
Small Charitable Gifts**

IRS Releases Final Version of Redesigned Form 990

The Internal Revenue Service (IRS) announced on December 20, 2007 that it is issuing a final version of the updated Form 990, which will require charities to disclose more details than in the past about their financial operations. But the IRS also said it will provide transition relief to allow smaller not-for-profit organizations more time to adjust to the new filing requirements.

In June 2007, the IRS released an initial draft version of the newly redesigned Form 990, the federal tax return used by most charities and other tax-exempt organizations. The redesign came in response to charges that the previous Form 990 did not provide the public with enough information to assess accurately the finances of charities and other



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continued on page three

Crafting a Gift Acceptance Policy

While nonprofits are almost always grateful for donations, your organization may sometimes find it necessary to turn down a gift. Accepting the wrong kind of donation can turn out to be a waste of time and money, and it may even jeopardize your group's hard-earned reputation. To minimize confusion about what constitutes an appropriate gift among fundraising staff and potential donors—and to avoid having to return unwelcome gifts after the fact—your organization should consider drawing up a formal gift acceptance policy.

Setting Guidelines

Generally, a gift acceptance policy is a written set of guidelines that are to be followed by all members of the organization who are involved in fundraising, from volunteers to staff and members of the board. The policy should clearly outline what types of assets are acceptable gifts, what forms gifts may take, and how your group intends to administer those gifts. A statement of your nonprofit's mission and purpose should feature prominently in any gift acceptance policy, and the policy should clearly state that donations that are not in line with the principles and values of the organization will be refused.

Gift policies are especially helpful when it comes to dealing with non-monetary items. While the donation of a piece of real estate or a valuable piece of artwork may seem generous, it is important to calculate the cost of maintaining, insuring, or selling the property before assuming responsibility for it. There may also be unanticipated tax liabilities associated with certain types of donations. Gift policies typically stipulate that, when a non-monetary gift is offered, it will not be accepted until the organization has had the opportunity to assess the potential financial, legal, and ethical implications of acceptance.

Occasionally, donors may be more interested in their own financial gain, or in advancing a personal agenda, than in supporting the work of the charity to which they are making the donation. A gift policy can help to clarify that gifts that impose onerous restrictions on the way donated funds can be used will be carefully scrutinized to ensure that they will be of practical use to the organization.

Getting Started

Nonprofits that have not yet adopted a gift acceptance policy can get started by appointing a committee made up of experienced staff and board members who will be in charge of developing and maintaining the policy, as well as reviewing gifts as they are offered. In reaching their decisions about whether to accept or reject donations, members of the gift acceptance policy committee will be expected to consult with outside experts as needed, such as attorneys, financial advisors, and appraisers. Once in place, the committee should regularly review and update the guidelines so that they continue to reflect the shifting legal landscape and the changing needs of the organization.

Before accepting larger gifts, the committee should consider the intent of the donor, any restrictions that have been placed on the use of the donation, and other potential risks that could be associated with taking on the gift. In some cases, the committee may want to ask the donor or a representative to help them resolve any outstanding issues before accepting the gift. Rather than rejecting outright a gift that has been deemed inappropriate, the donor may be asked to consider modifying the gift or making a different type of donation.

A gift acceptance policy can also help to smooth relations with donors. Having a set of guidelines to consult will make it easier for potential donors and their professional advisors to determine whether their gifts will be welcomed and how the gifts should be structured to suit the needs of the organization. Gift policies should include information about any legal or appraisal fees for which the donor will be held responsible and a reminder to donors that they should consult their own advisors about the tax implications of their gift.

Many nonprofits make their gift acceptance policies publicly available by posting them on their websites. Your organization may also want to consider launching a marketing campaign that publicizes the types of gifts your group would like to receive and directs prospective donors to sources of additional information about your organization's charitable activities and fundraising programs. ✧

IRS RELEASES FINAL VERSION OF REDESIGNED FORM 990

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nonprofit organizations. Through the new form, the IRS also seeks to determine whether organizations are violating the rules governing tax-exempt entities.

Members of the Senate Finance Committee urged the Treasury last year to change the form to tighten reporting requirements on charities. Commenting on the need for an overhaul of Form 990, Senate Finance Committee Chairman Max Baucus (D-MT), said in May 2007, “Charities and other nonprofit organizations do a great deal of work to benefit American communities, both to deal with crises and to improve our daily lives. It’s important to ensure, however, that these organizations receiving tax-exempt status earn it on a daily basis, and keep their activities and policies in line with the special status conferred on them by the tax code.”

But during the comment period that followed the release of the new design, the draft Form 990 drew protests from the nonprofit sector for its size and complexity, as well as for the suggested inclusion of ratios intended to provide greater transparency to the public, including ratios comparing the compensation of top officers with total expenses, fundraising expenses with total contributions, and operating expenses with net assets. In response to these criticisms, the IRS announced in October it was removing the ratios from the draft form.

Yet, the final Form 990 released in December retains many of the features of the draft version, including the 11-page core form and a series of schedules, IRS officials said. The new core form will provide filers with more opportunities to place their charitable activities in context, allowing them to describe their organization’s exempt accomplishments and mission in greater detail and to outline their activities in narrative form in several parts of the form.

Agency officials also noted that major changes were made to Form 990’s summary page, governance section, and various schedules, including those related to executive compensation, related organizations, foreign activities, hospitals, non-cash contributions, and tax-exempt bonds.

“When we released the redesigned draft form this past June, we said we needed a Form 990 that reflects the way this growing sector operates in the 21st century,” said Steven T. Miller, commissioner of the IRS’s tax exempt and government entities division. “The public comments we received in response to our draft form helped us develop a final form consistent with our guiding principles of transparency, compliance, and burden minimization.”



To ease compliance concerns among smaller nonprofits, the agency announced there will be a graduated transition period, during which nonprofits below a certain size will be allowed to file the Form 990-EZ, instead of Form 990. Under the new rules, nonprofits with gross receipts over \$1 million or total assets over \$2.5 million will be required to start using the newly redesigned Form 990 for the tax year 2008. Meanwhile, organizations with gross receipts over \$500,000 or total assets over \$1.25 million will not be required to file the new Form 990 until tax year 2009. IRS officials also announced in December that, starting with tax year 2010, the agency will raise the filing threshold for organizations required to file Form 990-N from \$25,000 to \$50,000.

IRS officials further announced a phase-in of Form 990’s new hospital and tax-exempt bond schedules. While certain identifying information will be required for the 2008 tax year, the completion of the entire schedules will not be required until the 2009 tax year. For more information, contact a tax professional. ✧

Most Donors Make Small Charitable Gifts

The average donor household in the United States gives around \$2,000 a year, with small donations making up the bulk of charitable gifts, according to a report prepared by the Center on Philanthropy for Indiana University.

The study was based on an analysis of the results of a survey sponsored by American Express, in which 1,428 U.S. households were questioned about their charitable giving habits. The survey found that 65% of households had donated to charity over the past year, and around one in ten of this group donated online. Results also showed that some two-thirds of charitable donations amounted to \$100 or less, and the median charitable donation was \$50. When gifts to religious organizations were excluded, the average secular gift was found to be \$138.

The survey found no significant difference between the amounts donated online and offline. When the respondents who had made online donations asked about their motivations for on-

line giving, 64% cited convenience, while 20% offered reasons related to the charity's own online presence, including receiving a request with a link to a site and the ability to find the site easily. When those respondents who had not given online were asked why they had not done so, the leading reasons cited included not having a computer, not being asked, and being unable to find an online site for the charity they wanted to support.



The survey also found that 24% of charitable giving occurs during the period between Thanksgiving and the New Year. The most frequently named reasons for giving more during the holiday season were the emotion or spirit of the season and an appeal made by a charity. ✧

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