

Charities and Their Volunteers: Working Together to Help the Public

In July, I recommended that officers and directors of [exempt organizations](#) (whether charities or other Veterans' organizations) sign up and participate in a phone form provided by the IRS. For those who could not participate, I have extracted the bare bones from the slides used, added hyperlinks to documents. Slide numbers reflect those in the [original presentation](#).

Many of these factors also apply to Volunteers assisting [501\(c\)\(19\)](#) Veterans' organizations.

Slide 3. Importance

- 85% of all charities have no employees at all
- The connection between charities and volunteers are very important and complex

Slide 4. Deductible Out-of-Pocket Expenses

- Must itemize on [Schedule A](#) of [Form 1040](#) to claim the charitable contribution
- Only for unreimbursed expenses
- Only in connection with volunteer services

Slide 5. What is a “Qualified Organization”

- Recognized by the IRS as a [501\(c\)\(3\)](#) or by a [state](#) or local government
- Most nonprofit organizations must apply to the IRS using [Form 1023](#) or [Form 1024](#) to become recognized as qualified tax-exempt organizations

Slide 6. Tax-Exempt Recognition

- Organizations must be both *organized and operated* for specific reasons
- See our [IRS Publication 526, Charitable Contributions](#)

Slide 7. Non-Deductible Personal Expenses

- Example-travel expenses where the volunteer performs only limited work for the charity.
- Clothing suitable for non-volunteer use
- For more information see [IRS Publication 526](#)

Slide 8. Travel Expenses

- The IRS will not allow deductions for volunteer travel unless there is no significant element of personal pleasure, recreation or vacation in such travel.

Slide 9. What's Not Deductible?

- The value of a volunteer's time or services
- The value of free use of a volunteer's space or equipment.

Slide 10. Deductible Volunteer Expenses

- Buying and cleaning uniforms not suitable for non-volunteer use
- Travel expenses incurred on behalf of the charity
- Lodging and meal costs when a volunteer is away from home overnight.

Slide 11. Vehicle Deductions

- The actual cost of gas and oil OR

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- Statutory rate of 14 cents a mile
- The cost of parking and tolls can be deducted

Slide 12. Vehicle Non-deductible expenses

- General repair and maintenance
- Depreciation
- Registration fees
- Insurance
- Tires

Slide 13. Record Keeping by Volunteers

The volunteer must keep written records of

- the miles driven,
- dates,
- name of the charity,
- a description of the volunteer work that required use of the vehicle.
- Receipts are essential when deducting the actual costs of gas and oil.
- Always keep receipts for parking and tolls.

Slide 15. Records

•The charity and the volunteer need to keep records supporting an entry on a return for 3 years after the date the return is filed.

Slide 16. Recordkeeping by Volunteer

- All charitable deductions \$250 and above must have “contemporaneous written acknowledgment” from the receiving charity.
- All non-cash contributions of more than \$500 must be documented on [IRS Form 8283](#)
- Describes volunteer services received and
- If charity gave anything in return. The acknowledgment must say whether the organization provided any goods or services in exchange for the gift and, if so, must provide a description and a good faith estimate of the value of those goods or services.

Slide 17. Substantiation and Disclosure

- [Publication 1771](#) explains the federal tax law for organizations that receive tax-deductible charitable contributions.
- [Publication 463](#) summarizes “accountable plans.”

Slide 18. Records for Reimbursement

- Organizations must maintain accurate records of deductions
- If an audit is performed, improper record keeping may lead to the reimbursement being characterized as taxable

Slide 19. Compensation

- Items with financial value—gift certificates, cash given as volunteer “Thank you” could be considered compensation for services.

Slide 20. Thanking Your Volunteers

- Consider giving volunteers items of token value to honor their service
- Yearly galas with free food and drink to volunteers are generally acceptable.
- Certificates or plaques usually OK

Slide 21. Maintain Records of Volunteers

- Tax-exempt organizations are required to keep records of all volunteers
- All tax-exempt organization must report the number of their volunteers on [Form 990](#) Part 1

Slide 22. Special Rules for Particular Disasters

- After disasters congress may enact special rules for the purposes of that disaster
- Example: The Katrina Emergency Tax Relief Act

Slide 23. The Katrina Emergency Tax Relief Act

- The normal charitable contribution limits were suspended in order to allow benefactors who made large contributions to claim larger deductions
- See disaster-related IRS rules by [state](#).

Slide 24. For More Information

- <http://www.irs.gov/Charities>
- Sign up for our free [e-Newsletter](#)
- TE/GE Customer Account Services (877) 829-5500
- Online seminars and courses <http://www.stayexempt.irs.gov/>

Slide 28. Answer Section

- Email questions about the topics covered in this forum to tege.eo.ceo@irs.gov