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Gift acknowledgements: Saying 'thank you' to donors

Prompt and thoughtful gift acknowledgments are central to effective fundraising. IRS regulations govern what documentation donors need in order to claim a deduction for their charitable contribution. The IRS website provides a comprehensive section on [gift substantiation](#) [1].

- What should a 'thank you' to donors include? There are no magic words that each nonprofit must include in "thank you" notes to donors; however, it's important to be familiar with what donors expect, as well as what the IRS requires charitable nonprofits to include in the "gift substantiation" message. We also encourage you to think about how to say "thank you" in a personal and meaningful way.
- When should a gift acknowledgement be sent? Soon! Donors expect to receive a "thank you" for any size of contribution, and they also expect it soon after making their gift. Sending the acknowledgment within a short period of time reassures the donor that the donation was received, and solidifies donor relations. Technically donors don't need the substantiation until sometime before they file their personal tax returns for the year the gift was made.
- There are other ways to acknowledge a gift in addition to a written gift acknowledgement that is sent to the donor, whether via email or regular mail. Many nonprofits include a list of current donors in an annual impact report, or on their website, so donors often look for their names on those lists and may be puzzled if they don't see themselves listed. They also may be unhappy if they have asked to remain anonymous and their name is listed. Make sure you know whether and/how a donor would appreciate public acknowledgement of a gift.

Background on "gift substantiation"

Nonprofits want to make sure that donors feel appreciated and recognized for their generosity. In addition, IRS regulations require that before a donor claims a tax deduction for a charitable contribution, the donor must have a bank record *or a written communication from the charitable nonprofit* documenting the contribution. As a result **donors expect a nonprofit to provide a receipt for their contribution**. IRS regulations place the responsibility on donors to make sure they have a written gift acknowledgment "*for any single contribution of \$250 or more.*" There is no legal requirement for gift acknowledgements for contributions of less than \$250 unless the donor receives *something of value* in return for the gift, which triggers special rules for "[quid pro quo](#)" contributions [2]. For more background, see [IRS Publication 1771](#) [3] - Charitable Contributions: Substantiation and Disclosure Requirements

What should the gift acknowledgement contain?

IRS guidance suggests that gift acknowledgments should contain:

- A statement that the nonprofit is a public charity **recognized as tax-exempt** by the IRS under **Section 501(c)(3)**;
- **Either** (a) amount donated (if cash or cash equivalents); **or** (b) description of the property donated (the nonprofit should not attempt to assign the cash value of property; doing so is the donor's responsibility);
- The **date** the donation was received;
- **Either**: (a) statement that the organization did not provide more than insubstantial goods or services in return for the donation, such as, "*No goods or services were received in return for this gift*"; **or** (b) if the gift was \$75 or more, and the nonprofit provided something of more than insubstantial benefit in return for the gift (such as tickets to a special event, or attendance at an event where donors receive a meal), then the nonprofit must provide a good faith estimate of the value of the goods/services provided **by the nonprofit to the donor**, such as the market value of tickets to the event, or the actual cost of the dinner (even if the food was donated to the charity).

What if the gift is made through a Donor Advised Fund?

Generally, if the donor directs a grant to be made to your organization through a Donor Advised Fund (DAF) such as Fidelity Charitable or Vanguard Charitable, a DAF held at a community foundation, or through one of the DAFs that are set up to receive online donations such as Network for Good or PayPal Giving Fund, you'll be given the donor's name and contact information along with the grant. You'll want to send an acknowledgment thanking the donor for the gift, but you don't need to include language about the gift being tax-deductible, because the DAF already provided a tax receipt to the donor. Some experts recommend that your

acknowledgment read something like, *"Thank you for recommending the generous grant of \$500.00, that we received on <date>, through your donor advised fund at Fidelity Charitable."*

If the grant comes with no donor contact information, there's not much you can do about that, because the donor chose to make the contribution anonymously.

Practice Pointers

- In many states the charitable registration regulations require a **disclosure statement** on written solicitations *and* gift acknowledgements, so be sure to include any required disclosure statement when your nonprofit sends an acknowledgement of any gift/pledge, as applicable. Read more about [state charitable registration and disclosure requirements](#) [4].
- Get your whole staff (and board!) involved with a "[Thank-a-thon](#) [5]." (Toolkit courtesy of LAPA)
- It's helpful to have a template ready to send out that can be customized as donations arrive, and it's imperative to have a good system for recording who gave what, when, and how much. Many [donor management software](#) [6] solutions exist that can help with gift-tracking.
- Keep track of pledges too, since they must be accounted for in the year in which the pledge is made, even if the gift doesn't arrive in that fiscal year.
- Have you considered a 'thank you' phone call? [5 Best Practices for 'thank you' Phone Calls](#) [7] (Joanne Fritz)
- Sometimes a donor will ask a nonprofit to write a letter vouching for the dollar value of a non-cash gift. It is not the nonprofit's role to place a market value on contributions, and nonprofits don't want to be caught between the IRS and the donor if the market value of a gift is disputed, so the most appropriate response is to compose a gift acknowledgment message that only describes whatever it was that was contributed, without placing a dollar value on it. For non-cash /gifts-in-kind contributions with a claimed value of \$5,000+ donors generally need an appraisal prepared by a qualified appraiser in order to claim the deduction. (Charitable nonprofits should not act as the "appraiser.") See IRS [Notice 2006-96](#). [8]
- If donors are uncertain what they need, or why they need substantiation for their contribution, the nonprofit can share with the donor how the IRS explains what donors need to [document gifts](#) [9] in order to claim a tax deduction.

Resources

- [IRS Publication 1771](#) [3]: Charitable Contributions: Substantiation and Disclosure Requirements
- [All about quid pro quo contributions](#) [10] (National Council of Nonprofits)
- [Tip Sheet on Saying Thank You to Donors](#) [11] (National Council of Nonprofits)
- IRS YouTube Video: *Charitable Contributions: [English](#) [12] | [Spanish](#) [13]*
- For donors: [Can I deduct my charitable contribution?](#) [14](IRS)
- Thanking donors for [non-cash gifts](#) [15], such as in-kind-gifts/donated property (IRS)
- [Guidance regarding appraisal requirements for non-cash contributions of \\$5,000 or more](#) [16] (IRS)
- How to value gifts purchased at [charity auctions](#) [17] (IRS)
- [A charity's guide to vehicle donations](#) [18] (IRS)
- [A Consumer's Guide to Low Cost Donor Management Systems](#) [6](NTEN and Idealware)
- [Feeling stuck? How to write a thank you that works](#) [19] (Hands on Fundraising)
- [Infographic](#) [20]: personalizing your 'thank you' to donors (Classy)
- [Why are nonprofits so terrible at acknowledging gifts](#) [21]? (GuideStar)
- [Best practices in donation valuation](#) [22] (Video, Good360)

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Links

[1] <https://www.irs.gov/charities-non-profits/substantiating-charitable-contributions>

[2] <https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contributions-quid-pro-quo-contributions>

[3] <https://www.irs.gov/pub/irs-pdf/p1771.pdf>

[4] <https://www.councilofnonprofits.org/tools-resources/charitable-solicitation-registration>

[5] <http://lapafundraising.com/sites/default/files/Thank-A-Thon%20Kit.pdf>

- [6] <https://www.idealware.org/reports/consumers-guide-low-cost-donor-management-systems/>
- [7] <https://www.thebalancesmb.com/how-to-call-donors-just-to-say-thank-you-for-donating-2502051>
- [8] https://www.irs.gov/irb/2006-46_IRB#NOT-2006-96
- [9] <https://www.irs.gov/charities-non-profits/contributors/written-record-of-charitable-contribution>
- [10] <https://www.councilofnonprofits.org/tools-resources/quid-pro-quo-gifts>
- [11] https://www.councilofnonprofits.org/sites/default/files/documents/Tip%20Sheet%20on%20Saying%20Thank%20You-updated%2001.09.2018_0.pdf
- [12] https://www.youtube.com/watch?v=dvn_qBqXy_c
- [13] https://www.youtube.com/watch?v=g_IP1TjxXRE&feature=youtu.be
- [14] <https://www.irs.gov/help/ita/can-i-deduct-my-charitable-contributions>
- [15] <https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-organizations-substantiating-noncash-contributions>
- [16] https://www.irs.gov/pub/irs-tege/n2006_96.pdf
- [17] <https://www.irs.gov/charities-non-profits/charitable-organizations/charity-auctions>
- [18] <https://www.irs.gov/pub/irs-pdf/p4302.pdf>
- [19] <https://mcahalane.com/feeling-stuck-how-to-write-a-thank-you-that-works/>
- [20] <https://www.classy.org/blog/infographic-ultimate-thank-nonprofits/>
- [21] <https://trust.guidestar.org/blog/2015/01/23/why-are-nonprofits-so-terrible-at-acknowledging-gifts/>
- [22] <https://www.youtube.com/watch?v=Xw45niSv72s&feature=youtu.be>
- [23] <https://www.councilofnonprofits.org/tools-resources-categories/fundraising>
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