

Guidelines for Designated Gifts to McKenzie Bible Fellowship

The IRS has determined that charitable contributions designated to individuals or entities are allowed as charitable contributions only if the donor recognizes that following:

- *the donor's recommendation is advisory only;*
- *the church retains "full control of the donated funds, and discretion as to their use"; and*
- *the donor understands that his or her recommendation is advisory only and that the church retains full control over the donated funds, including the authority to accept or reject the donor's recommendations.*

It makes no difference to the IRS if the designation is written on the check or sent with a separate note indicating the desired designee. If the donor designates the gift, it is subject to the above. The Deacons make the final decision regarding the designation of the gift. If unable to approve the requested designation, the donor will be contacted and informed, and the gift returned to the donor. Designations to missionaries and Mission agencies supported by the church budget are allowable without review. Designations to Missionaries and mission agencies outside of the church budget are subject to the above. Gifts given to the pastor or staff are not tax-deductible

Article from Church Tax Law:

<http://www.churchlawandtax.com/blog/2013/february/are-designated-gifts-for-individuals-tax-deductible.html>

Are Designated Gifts for Individuals Tax Deductible?

It's a common scenario at local churches across the country: A member faces a significant medical condition, racking up major debt in the process. Others at the church learn of this challenge and wish to help. Can they donate to the church, designate their gifts for that member, and still receive tax deductions for the contributions?

The Internal Revenue Service has ruled on such situations many times. Such gifts likely can be treated as deductible if (and it's a significant if) donors and churches handle them a certain way. The IRS has stated:

If contributions to the fund are earmarked by the donor for a particular individual, they are treated, in effect, as being gifts to the designated individual and are not deductible. However, a deduction will be allowable where it is established that a gift is intended by a donor for the use of the organization and not as a gift to an individual. The test in each case is whether the organization has full control of the donated funds, and discretion as to their use, so as to insure that they will be used to carry out its functions and purposes. Revenue Ruling 62-113.

Based on this guidance, contributions to a church benevolence fund can be deductible, even if the donor mentions a beneficiary, if the facts demonstrate that

- the donor's recommendation is advisory only;
- the church retains "full control of the donated funds, and discretion as to their use"; and

- the donor understands that his or her recommendation is advisory only and that the church retains full control over the donated funds, including the authority to accept or reject the donor's recommendations.

Sample Benevolent Fund Disbursement Policy

- The benevolence fund is intended as a source of last resort, to be used when a family or individual requesting assistance has explored all other possibilities of help from family, friends, savings, or investments. It is intended to be a temporary help during a time of crisis.
- Assistance from the benevolence fund is intended to be a one-time gift. In unusual circumstances, the Benevolence Committee may decide to help more than once. But under no circumstance is a gift from the benevolence fund to be considered a loan. No gift may be repaid, either in part or in full, in money, or in labor.
- If the recipient desires to give to the church at a later time, this individual should be encouraged to give directly to the general fund of the church. At the discretion of the Benevolence Committee chairman, the individual may be informed that the fund accepts designated giving, but only if the person understands this is not a payback of what originally was given.
- Those requesting assistance must also be willing to receive financial, family, or spiritual counseling. The Benevolence Committee will not provide help to anyone who, in its estimation, will have negative or irresponsible behavior reinforced by receiving financial assistance.
- Those requesting help must be willing to give the committee permission to follow up on any of the information provided to the committee.