



Contributions Policy for Saint Bart's Episcopal Church

Donated goods

I. INTRODUCTION

Saint Bartholomew's Episcopal Church (SBEC) is a qualified charitable organization exempt from federal income taxes under IRS Sec 501(c)(3). Contributions to the SBEC are deductible for federal income tax purposes under the rules and regulations established by provisions of the Internal Revenue Code. SBEC herein identifies three types of contributions below in Section IIA. Contributions are used for church activities supporting SBEC's mission and within the rules of the IRS, the State of California, and the Diocese of California (DioCal). The church also receives revenue from tax-exempt Unrelated Business Income (UBI).

The Rector and Vestry are jointly responsible for the review, approval, understanding, and use of this Policy. The Treasurer/Administrator/Contributors and those seeking reimbursement are responsible for its day-to-day use.

II. HANDLING AND RECORDING CONTRIBUTIONS

Contributions are deposited into one of SBEC's current checking or savings accounts. In the future, large contributions could be placed in a certificate of deposit (CD) or brokerage account (BA) on receipt and as determined by the Rector, Vestry, or this policy. The two checking accounts are assigned to unrestricted or restricted gifts, respectively. After the gift is deposited in the appropriate checking account, a transfer to a CD or BA is made after Rector and Vestry approval, recorded in Vestry minutes. Records of account transactions track the movement of monies.

IIA TYPES OF CONTRIBUTIONS

This section defines types of contributions to maintain the tax-deductible requirements within the IRS statutes, California law, DioCal and SBEC needs. The following terms are defined:

- 1) Tax-Deductible or Charitable Contribution – A gift of cash or property made to SBEC to help it accomplish its goals, for which the donor receives nothing of value in return.
- 2) Unrestricted Gift – A gift without accompanying conditions on use. Unrestricted funds are used for whatever purpose SBEC deems necessary: Inreach, Outreach, Buildings & Grounds, and indirect costs such as overhead.
- 3) Restricted Gift – A gift that the donor directs for a specific purpose or ministry project. These carry one or more conditions for use or are limited by law.
- 4) Qualified "Gift" – Income received through renting SBEC facilities to organizations that meet IRS Sec 501(c)(3), or California Property Tax Exemptions for Religious Organizations. This income is not reportable.
- 5) Non-Gift Revenue: Exempt Unrelated Business Income (eUBI) can be another form of income allowed by IRS. However, if SBEC engages in a trade or business that is regularly carried on, yet not substantially related to one or more of the church's missions, the UBI is taxable. California's Franchise Tax Board (FTB) does not exempt SBEC from paying sales tax.
 - i. Exempt UBI (IRS exceptions) – SBEC avoids taxes on UBI in the following circumstances.
 1. Selling donated goods,
 2. SBEC activities operated by volunteers,
 3. Interest from checking, savings, CDs, and BAs,
 4. Building/space rent received, provided that "substantially all" (85%) of SBEC's property is used for its nonprofit purposes.

III. CLASSES AND DESCRIPTIONS

Each year, the Rector, Treasurer, and Vestry prepare a yearly budget that is reviewed and approved by the Vestry. This budget is the regularly updated evidence of revenue and expensed funds. The budget supports continued SBEC operations for mission/ministries. The identified funds are deemed acceptable to SBEC's exempt purpose and contributions are reviewed to ensure they meet the exempt purpose.



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- 1) Donations Fund Class – This fund includes revenue from unrestricted gifts (e.g., from our loose plate, pledges, and memorial donations) and supports the SBEC mission.
- 2) Building and Land Use Fund Class – This fund can include revenues from all four gift types and eUBI and supports infrastructure, maintenance, capital improvements and facility enhancements.
- 3) Directed Income Fund Class – This fund includes revenue from restricted gifts and supports activities identified by the donor. Expenditures are limited by the purpose(s) of the restricted gift or grant. Any money received in excess of what is needed may be used for other purposes consistent with the SBEC's ministry, and such decisions would be communicated to the donors as we are able (see "Refunding a Charitable Contribution" below).
- 4) Fundraiser Income Fund Class – This fund includes revenues from fundraising efforts and supports the SBEC mission. California imposes sales tax on TheStore™ so SBEC identifies that revenue as a subset of Fundraiser Income and it is described in a separate policy.
- 5) Miscellaneous Income Fund Class – This fund can include revenues from special events, projects, or bequests and supports the SBEC mission. Bequest income is transferred to the other classes after any IRS requirements are identified and satisfied. Special events or projects may be created on a temporary basis as determined by the Vestry and/or the Rector and Treasurer.
- 6) Inreach Fund, Outreach Fund Classes – These funds include revenues from any type of fund and support our goal to minister to those in need in SBEC, the community, and elsewhere. SBEC recognizes the importance of meeting the physical and financial needs of those in crisis and has established these as ongoing funds. These classes are created for budget/traceability purposes.

IV. DONATIONS POLICIES

- 1) Restricted Gifts are credited to the Directed Income Fund Class.
- 2) Tax-deductible contributions: SBEC maintains full control over how the gift is used. If a directed/restricted gift does not fit within SBEC's mission, it is returned.
- 3) On occasion SBEC will accept pass-through donation gifts for transfer to charitable organizations.
- 4) SBEC may allow use of buildings or land for rents or gratis to 501(c)(3) organizations at its discretion.
- 5) If SBEC accepts gifts of stock, the value to SBEC is equal to the value of the stock when SBEC sells it. However, the deductible amount allowed by the IRS depends on information that the donor should obtain from his/her broker.
- 6) The value of personal services donated is not deductible as a charitable contribution and donations of this type cannot be reflected on an individual's record of donations.
- 7) The value of goods donated to SBEC may be deductible as a charitable contribution; however, donations of this type will not be reflected on the individual's record of donations. **The IRS requires that churches and other tax-exempt organization send a formal acknowledgment letter for any donation that is more than \$250.** In the event that donated goods exceed a fair market value of \$250, a letter recognizing the donation may be requested from the SBEC Treasurer. Only donated items are itemized in the letter; the fair market value is determined and reported to the IRS by the donor.
- 8) Gifts designated **for** a specific individual do not qualify as charitable contributions under IRS regulations and should be avoided. In situations where a person's name appears in regard to a gift, unless clearly designated otherwise (see #3 above), such gifts are accepted with the understanding that the donor was making a non-binding suggestion only. Such gifts are utilized for SBEC charitable purposes only. This control is exercised by SBEC's discretion and not necessarily as suggested by the donor.



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V. CONTRIBUTION STATEMENTS

Donors will receive a calendar year-end tax contribution list documenting deductible contributions for income tax purposes in the United States. Donors are advised to consult their personal income tax advisors for the applicability of such contributions in their own circumstances.

VI. YEAR OF CONTRIBUTION

The IRS provides clear guidelines with regard to the date of posting contributions, which SBEC follows. All contributions received or postmarked by December 31 are included in that year’s contribution statement. If the contribution is received or postmarked after December 31, it is included in the contribution statement of the year in which it is received/postmarked—regardless of the date on the check.

VII. CONCLUSION

SBEC respects the donor’s decision to give as led by the Lord. The above policies are meant to provide guidance to the donor and SBEC as well as comply with the applicable tax laws. SBEC reserves the right to refuse contributions that are not related to the primary purpose of SBEC, not in the best interest of SBEC, or those not qualified for tax purposes. SBEC also reserves the right to amend these policies at any time. The current SBEC Finance Commissioner should be contacted for clarification or questions regarding this policy.

VIII. REFERENCES

1. IRS publication 1828, 501(c)(3) Tax Guide for Churches & Religious Organizations
2. Internal Revenue Code (IRC) Section 501(c)(3)
3. LDA48 Property Tax Exemptions for Religious Organizations (California)
4. [Small to Mid-Size Tax Exempt Organization Workshop](#)
5. [Independent Contractor or Employee?](#)
6. [Taxation of Churches and Religious Organizations in California](#)
7. [What is Unrelated Business Income for Churches?](#)

Author: G M Butcher (Vestry, Finance Commissioner)

Edited by: Laning Thompson (Vestry, Outreach Commissioner), Ann Butcher (Clerk)

Reviewed by: Laning Thompson, Ann Butcher, Abigail Plemmons (Treasurer, Administrator)

Reviewed and approved by

Rector Signature ___on file_____ Date ___on file___ Vestry Approval Date 15MAR2023

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Appendix I REIMBURSEMENTS

Independent Contractors (IC);

1. IC's, as defined by IRS, must have a signed agreement between the IC and SBEC. The agreement must include a Release on Payment statement.
2. SBEC may issue a tax letter (acknowledgement letter) only for actual cost of materials used, and identified in the contract, at its discretion. Handling fees/upcharges are not included in a Tax Letter, as those are services.
3. The IC must own their own business under California law.

There are three ways that SBEC can handle reimbursement for supplies/equipment.

1. If the person wants to be reimbursed for the item, obtain permission to buy from the appropriate assigned signature level authority, buy the item and submit an expense report with details and receipts (form available from the SBEC administrator).
2. For donated item(s), the person is encouraged to buy and give the item.
3. If the person wants to treat the purchase as a contribution instead of reimbursement use the Purchase Authorization and Check Request Form (form available from the SBEC administrator).
 - a. obtain pre-approval by appropriate signature level authority, including a request to have a check issued to the buyer,
 - b. purchase items, submit an expense report with receipts,
 - c. receive the reimbursement check and sign it over to SBEC to get contribution credit.
 - d. The administrator enters the contribution into the buyer's contribution sheet.

Appendix II REFUNDS

A charitable contribution (unrestricted) will not be returned to the donor. To refund the gift would be contrary to the basic definition of a charitable contribution and could have possible tax implications to the donor and potentially cause a liability to SBEC.

Refund on a designated contribution is handled in the following manner:

Designated gifts – Every reasonable effort is made to use the designated gift for the purpose in which it was designated. However, if the special project no longer exists, but funds remain, SBEC will make every reasonable effort to contact the donors of such gifts. The purpose of this is to give the donor the option of re-designating the gift to a different project or fund, or refunding it. The donor needs to be aware of the possible need to file an amended tax return if the gift is refunded while the deduction was claimed in a previous year. Obviously, this procedure is only appropriate for those donors who can be identified. Donations that cannot be identified are redirected towards other purposes consistent with the SBEC's ministry.