

# Important Tax Substantiation Changes

**Please note: the following information is only necessary for individuals who itemize their deductions on their federal tax return, NOT those who take the standard deduction.**

United Way of Southeastern Pennsylvania is committed to providing the information our donors need to make informed decisions regarding their charitable contributions. We want to make sure that all of our individual donors and corporate partners are aware of the new tax laws that went into effect in late 2006\*, **which affect charitable gift substantiation.**

## NEW IRS REQUIREMENTS FOR CHARITABLE GIFT SUBSTANTIATION:

- **Individuals who itemize their deductions on their federal tax return must have documentation that substantiates all contributions, regardless of amount.** (The previous law only required substantiation for contributions of \$250 and above.)

- **Substantiation must include the following, based upon the donor's payment type:**

**Gifts of check, credit card or cash:** Donors need to retain a bank record (cancelled check or bank statement), credit card statement OR obtain written acknowledgement from the charitable organization showing the name of the charity, date of payment and amount of contribution. In early February of each year, United Way of Southeastern Pennsylvania provides tax receipts to all donors who made payments to United Way of Southeastern Pennsylvania in the prior calendar year through any method other than payroll deduction or securities.

**Gifts of securities or property:** Donors need to retain a broker record showing the name of the charity and the date of the gift OR obtain written acknowledgement from the charitable organization showing the date and the exact type of contribution (e.g.: 5 shares of ABC stock.). United Way of Southeastern Pennsylvania provides a tax receipt to all donors who give securities within 30 days of donation.

**Gifts of payroll deduction:** Donors need to retain the following TWO documents: 1) a pay stub, W-2 OR other document furnished by the employer that indicates the amount withheld during the tax year for payment to charitable organization; AND 2) a copy of the pledge confirmation letter from United Way of Southeastern Pennsylvania referred to below.

Under the new law, **continuous/rollover givers** must provide the same documentation as other tax payers to substantiate donations for tax purposes (#1 and #2 above).

- Irrespective of the payment method United Way of Southeastern Pennsylvania sends a letter to every donor acknowledging and thanking them for their pledge and indicating that “no goods or services” were provided in exchange for their pledge. **This pledge confirmation letter should be kept by donors to substantiate their pledge.**

**Important Reminder to Donors:** United Way of Southeastern Pennsylvania is not a tax advisor. As with any financial recommendation, please contact your accountant or tax advisor to determine the income tax impact of your donation to United Way of Southeastern Pennsylvania.

**\* Background:** In August of 2006, the Pension Protection Act was passed into law. This law includes a number of provisions that are specifically targeted at the non-profit sector, the most relevant of which are outlined above.

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