

Donor Acknowledgment Letter

This document provides the basic components and some best practices for writing a donor acknowledgement letter.

Donors giving more than \$250 in a single contribution to a tax-exempt nonprofit organization need a written acknowledgment from the organization to claim that deduction on their individual income tax return. There is no official IRS form that the exempt organization needs to complete. For example, the acknowledgment can be in the form of an email or a physical mailed letter or postcard.

When a contribution is made online through The Arts Area donation platform this requirement is met through the acknowledgement receipt automatically emailed to the donor, but for donations received through other means a separate acknowledgement will need to be sent to the donor. Although the requirement threshold may be met with the automated donor receipt, you might wish to send an additional letter to your larger and/or repeating donors. You can request The Arts Area to write these letters by supplying a list of the donors (including name, addresses, and description of donation) or you may prefer writing a more personalized letter yourself directly from your sponsored project.

Send your letter as soon as possible after receiving a donation. A timely response is an important part of supporter recognition. Donors, sponsors, and volunteers wish to be thanked for their contributions, and expressing your appreciation goes a long way in maintaining the relationship. As for the requirements of the IRS, “a donor must receive the acknowledgment by the earlier of: the date on which the donor actually files their individual income tax return for the year of the contribution; or the due date (including extensions) of the return.” Generally, this would mean providing written acknowledgment by January 31 of the year following the receipt of the contribution. But again, earlier and closer to the time the donation was received is preferable.

Here are some suggestions for structuring your letter:

Unless the donor has requested the letter be addressed to a donating entity (business, organization, etc.), address your donor by name to continue nurturing a relationship with the individual. Use an appropriate salutation and titles when warranted (for example, Dr., Honorable, or Councilwoman).

Thank the donor for their contribution. Provide a description of the contribution received and the date of receipt. If there was a specific campaign or impact area that the donor contributed to, include that too.

- For cash contributions (cash, checks, credit card), include the amount of the contribution received.
 - Did the donor receive goods or services in exchange for the contribution?

- If any goods or services were provided by your project in exchange for the contribution, include in the description a good faith estimate of the value of those goods or services. (Example: A fundraising dinner event where some of the funds received from the donor pays for the actual dinner, while the rest is a donation.)
- If the goods or services that were provided to the donor were insubstantial token amounts, note that, too. (Example: When a small gift is given to the donor with the nonprofit organization's name or logo on it like a bumper sticker or coffee mug.)
- When a tax-exempt organization provides a good or service in exchange for a donation of more than \$75, the nonprofit is required to (1) provide the donor with written notice of the fair market value of those goods or services received and (2) tell the donor that only a portion of the donation that exceeds the fair market value is tax-deductible.
- For non-cash (in-kind) gifts, include a description (but not the value) of the non-cash contribution.

In the next paragraph explain the impact of their donation. Do you have specific giving categories that provide a breakdown of what each amount will achieve? Do you have a project/fundraiser that is closer to completion because of the donation? Do you know how many people will be positively impacted by the donation? These types of details create a more personal connection for the donor, also possibly leading to future donations.

Follow this with a section about your work and mission. Explain how their donation assists with accomplishing the larger mission of your organization.

In your closing thank the donor again and let them know their support is important. If you have plans to follow up with a donor, let them know here. Will you be sending them more information about your organization or sending a progress report on a specific project their donation supported? Sign the letter with a handwritten signature.

At the bottom of the letter you must include the following statement:

[Sponsored Project Name] is a comprehensive fiscal sponsored project of The Arts Area, a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code; EIN 81-3551663. No goods or services were provided in exchange for this contribution.

Note: If the donor did receive substantial goods or services in exchange for the contribution, delete that final sentence.