Tip Sheet: Saying “Thank You” to Donors

This tip sheet has been prepared to help nonprofits learn more about providing a gift acknowledgment to donors.

Guidance from the IRS: IRS regulations require that before a donor may claim a tax deduction for a charitable contribution the donor must have a bank record or a written communication from a charity. The donor is responsible for obtaining the written gift acknowledgement for any single contribution of $250 or more and special rules for the gift acknowledgement apply when a donor gives a gift in excess of $75 and also receives something of more than insubstantial value from the charity in return (see section on “quid pro quo” gifts below).

Donors expect to receive a ‘thank you’ for their contributions regardless of the amount. The IRS recently revised Publication 1771, an online guide for charities that provides assistance with the process of acknowledging gifts and contributions. For more specific guidance, please read below.

The IRS has a comprehensive section of its website providing information on what is called “gift substantiation” (substantiating that a gift was received through the process of thanking donors for the gift), including:
- how to thank a donor for non-cash gifts, such as donated property;
- how to substantiate the value of gifts purchased at charity auctions;
- guidance on what a written gift acknowledgement should contain.

All gift acknowledgements should contain:
1. A statement that the nonprofit is a charity recognized as tax-exempt by the IRS under Section 501(c)(3); The amount donated (if cash or cash equivalents); or
2. A description of the property donated (it is best not to assign the property any cash value in your letter);
3. The date the donation was received
4. A statement whether or not your organization provided any goods or services in return for the donation, such as, “No goods or services were received in return for this gift” or
5. If the gift was of $75 or more and the nonprofit did provide something of more than insubstantial benefit in return for the gift, (such as tickets to a special event or a dinner) then the charity must include a good faith estimate of the value of the goods/services provided (such as the market value of tickets to the event or the actual cost of the dinner – even if it was donated to the charity.)

Quid Pro Quo Gifts: As described above, when a donor contributes $75 or more and receives something of value in return, that is called “quid pro quo” gifts. Read more about quid pro quo gift acknowledgments on the IRS website.

When should gift acknowledgments be sent? Acknowledgments must be provided “in writing, at the time of the solicitation or when the payment is received, and in a way that will come to the attention of the donor,” according to IRS Publication 1771.

Many fundraising professionals suggest sending the acknowledgment within a short period of time, which reassures the donor that the donation was received and boosts donor relations. Being prompt and making the message as personal as possible is most effective, especially when followed up by a report or personal message describing the difference the donor’s gift has made. It’s helpful to have a template ready to send out that can be customized as needed when donations arrive.