

Recognition of In-Kind Gift From Employee

Is it considered a donation if an employee of a non-profit organization does not claim mileage and other small expenses, but keeps track of those expenses for the year and then says that's their donation to the organization? I don't think it's a donation but if it is, how do we account for the accuracy of the expenses and can we provide a written acknowledgment to the employee?

Concerned Employer

Dear Concerned Employer,

It is always great to hear about employees who not only care about the mission of their organization but who also want to support it financially.

Our initial response would be that all employees should keep track of their expenses that are related to their work with the nonprofit. There are several options open to the employee you referenced in your question.

1. If the employer provides reimbursement to their employees for business travel and related business expenses, the employee can submit their expense, receive payment and then make a cash payment back to the organization which would qualify as a charitable tax deduction and should be recognized by the nonprofit as it would any other comparable gift. (more on this in item 3 below)
2. If the employer does not reimburse their employees for business travel and related expenses, the employee can claim a business related deduction when they file their income taxes. One factor to keep in mind is the amount of mileage reimbursement that is provided by the IRS. While most nonprofits use the IRS standard for mileage reimbursement, which is now 56 cents per mile, some reimburse less per mile. That could be a factor to consider. For more information

on business tax deductibility, check out the IRS web site at <http://www.irs.gov/2014-Standard-Mileage-Rates-for-Business,-Medical-and-Moving-Announced>

3. If the employer does reimburse their employees, but the employee in question wants to reduce the amount of funds the employer has to pay them for business expenses as their gift to the organization, the employee can claim the expenses as business related tax deductions, but would not be eligible for a charitable gift deduction. However, the nonprofit could (and we think should) give “soft credit” and recognize the value of their employee’s generosity accordingly. Most organizations will want to track and budget for business and travel reimbursement to employees, even if one or more employees decline requests for reimbursement. As one of our Ask A Pro team members, who is a Development Director, said, “I suggest to generous staff members that they fully document their mileage and other allowable expenses, then permit us to reimburse them accordingly. That way I have a true picture of my cost of doing business. Then those generous staff members can certainly make a gift back to our organization, by check or credit card. That way we all have a true picture of gift support from our beloved employees.”

While your Ask a Pro team is a group of very wise and experienced nonprofit professionals, we always recommend that when it comes to the tax deductibility of charitable gifts, that an accountant or tax attorney be consulted.

Your Ask A Pro Team