



OUR STAFF EXPERTS CONDUCT “SPECIAL INVESTIGATIONS” INTO YOUR QUESTIONS.

Dear 501(c)SI,

My nonprofit is going to build a new teen center. One of our board members is an architect and has graciously volunteered to do the design work for the new building. What kind of receipt/letter should I give the board member? Can the architect take a charitable deduction on his income tax form for the services that he has donated?

Signed,
Sincere in Cecil County

Dear Sincere,

The IRS rule about donated services is simple: There is **no charitable tax deduction for donations of services**. For example, a celebrity agrees to perform at your annual event for free. She normally charges \$20,000 for such an appearance. She is entitled to **no tax deduction** for her donated services. A newspaper donates a full-page ad to recruit volunteers for your teen center. The newspaper normally charges \$5,000 for such an ad. The newspaper gets **no tax deduction**. Sorry, but your architect gets **no tax deduction** for providing services.

A nonprofit is not required to give a receipt for the donation of services. However, if pressed, you can write “On behalf of our organization, we thank you for providing architectural services for our new building.” Avoid referring to the transaction as a “contribution” or a “donation” or anything else that would suggest a charitable contribution deduction might be in order.

People who provide services as volunteers may be able to deduct their out-of-pocket expenses. For example, your board member architect can deduct the mileage for visits to the site of the new teen center or to building committee meetings. Your board member architect can deduct any direct supply costs associated with providing the services. In order to deduct out-of-pocket expenses, a volunteer needs to keep written records of their expenses with the entries made on or near the date of the expense.