EDITOR'S NOTE

Welcome!
When the Great Recession started in 2008, many churches began to see a marked decline in giving. Brian Kluth, a former senior pastor who now serves as a generosity pastor at-large, decided to track giving to see what effect the economy was having on churches' financial health. This gave birth to the annual State of the Plate survey, which is now cosponsored by Christianity Today, ECFA, Evangelical Christian Credit Union, and Brian's organization, MAXIMUM Generosity. This year's study combines results from this and the previous four years of data to form the most comprehensive look at "tithers"—what the financial, giving, and spiritual practices for Christians who give 10 percent or more of their income each year.

First Chronicles 12:32 says the men of Issachar "understood the times and knew what Israel should do." In this month's feature story, "Five Truths about Tithers," Brian shares highlights from this year's research so church leaders can understand the times and know what to do.

Also, we recently launched the new ChurchLawAndTax.com website! Be sure to log on and see all the new features. If you don't yet subscribe to the site, be sure to do so right away. You'll be able to access 20 years of Church Finance Today archives, as well as timely updates for keeping your church safe, legal, and financially sound.

Blessings as you serve—
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New research reveals what makes some Christians so generous.

FIVE TRUTHS ABOUT TITHERS

By Brian Kluth

Tithing. Just write the word or use it in conversation, from the pulpit, or online and immediately people react—positively, negatively, even vehemently. While the word tithing is often a point of contention or confusion in the church world today, one thing is clear: millions of Christians give 10 percent or more to the Lord's work, even if they don't consider themselves "tithers."

Barna research estimates that 5 percent of Americans, and 12 percent of born-again Christians, donate 10 percent or more to religious causes. Though they represent only a small percentage of the overall population, these faithful givers are the financial backbone of every religious entity to which they give. In most cases, they contribute one-half to three-quarters of the revenue to their church, mission agency, and Christian non-profit organization. Without this group of faithful and generous givers, most churches and ministries would quickly be forced to close their doors.

Until recently, no in-depth research had ever been conducted to find out about the financial, giving, and spiritual practices of this consistently generous group. Now, after five years of State of the Plate research conducted by MAXIMUM Generosity (my ministry), along with Christianity Today, ECFA, and Evangelical Christian Credit Union, we have data that provides invaluable insights on giving, financial, and spiritual practices of 4,412 people from all 50 states and more than 70 countries.

Here are some notable highlights from this research, which is presented in full in an executive report titled, "20 Truths about Tithers," available on YourChurchResources.com:

- Those who give 10 percent or more started doing so at a young age—63 percent started giving 10 percent or more between childhood and their twenties.
- The majority of people have large estates (including houses, possessions, investments/pensions, and life insurance policies), but only 25 percent have included their church in their will.
- People that give 10 percent or more are better off financially than those Christians who don't. In every category we measured, faithful and generous giving led to greater financial health in people's lives.
- People who give 10 percent or more have five different ways they give inside their local church (see chart on page 2).
- What keeps non-tithing Christians from giving: 38 percent say they can't afford it, and 33 percent say they have too much debt.

Getting out of a giving rut

Any church of any size anywhere can create
a culture of generosity and grow givers and giving in their church. Just as a car must have all the pistons firing properly to move smoothly down the road, so churches must have all the “generosity” pistons firing in their ministry. But most church giving is stuck in what I call the “Kluth Rule of Thirds”: one-third never give; one-third give less than $500 per year; one-third give more than $500 per year.

Here are five fundamental principles to help break out of a giving rut and take generosity to a whole new level in your church:

1 - INSTRUCT with Scriptures
Generosity and financial teaching in a church should be about the Bible, not the budget, bills, or building. The budget is a spending plan, not the giving goal. When I first came to my church as a senior pastor, the church hadn’t met budget in four years. When I asked why we had a budget we never met, the treasurer told me they were trying to teach people to give to the budget. “It’s obviously not working,” I said, “and we need to change our focus. My goal will be to teach people to give to God based on the Bible, not the budget.”

Using this approach, our giving went up nearly 90 percent, and we exceeded our budget 9 of the 10 years I was senior pastor at this church. The only time we did not exceed our general operating budget (we reached 99 percent) was the year we raised hundreds of thousands of dollars in extra cash offerings for facility improvements.

2 - INFLUENCE with Resources
Ultimately people are influenced by what they hear, read, see, and talk about. A church must intentionally expose its people to resources that teach them biblical truths about finances and generosity. This can happen through sermons, short videos during worship services, seminars, classes, small groups, or through personal devotional guides focused on generosity. Providing resources for your congregation, such as Devotionsals, flyers, booklets, and church giving cartoons also can have a powerful effect on people’s thinking about generosity and their giving practices. I’ve seen it lead to double and even triple-digit giving increases.

3 - INVOLVE with Systems (collections and campaigns)
Scripture says we are to “collect” people’s financial gifts and offerings. For many years the debate in our churches has been about whether to pass the plate or have a box in the back to receive people’s offerings. The answer today is “yes and more!” Passing the plate, putting a box in the back, providing for EFT giving, online giving, iPhone app giving, putting kiosks or computer terminals in the lobby, having stock brokerage accounts, and accepting gifts in kind are options a church can use to help people be faithful and generous givers. While very few churches will do all of these things, all churches need to do more of these things to help “collect” people’s offerings.

4 - INSPIRE with Stories
The Bible features many generosity stories. King David gave generously to the temple, and his leaders followed his example. Barnabas gave the proceeds from the sale of land to help the needy. A little boy’s lunch helped feed 5,000 men, plus the women and children. A widow’s mite was noticed and commended by Jesus. A woman poured out an alabaster of perfume on Jesus’ feet that was worth a year’s wages. All of these are generosity stories. Stories move us and shape us. They make us laugh, they make us cry, they make us think, and they make us act and react differently. In church, pastors need to share their own personal generosity stories. People can be invited to tell about how or when they began to give to God. Generosity testimonies are posted on YouTube and various generosity websites. My generosity devotional, 30 Days to Generous Living, includes 30 true generosity stories. Guest generosity speakers will often share moving stories that will inspire people to become more generous. A thank you note read out loud in a service from someone helped through a benevolence gift will lead to more benevolence giving in the future. Generosity testimonies are a vital piece—a major piston—for helping teach people to become generous.

5 - IGNITE with Vision
Generous giving ultimately flows to need-meeting ministries with vision, not needy ministries. In Scripture, God released resources to big projects that were planned out and clearly communicated (think Moses, Nehemiah, David, Paul). In many churches, the goal is merely to meet budget, or keep the doors open another year. We are to bring God’s love inside our four walls, into our community, and around the world. Our financial goals and projects need to be worthy of people’s support because we are making an impact on people’s lives.

When your church is firing on all five of these generosity pistons, you’ll create a culture of generosity in your church, and you’ll be amazed at the resources that will flow to and through your ministry to bless a world in need. If God knows he can get resources through your church, he will get resources to your church.

Brian Kluth is a best-selling generosity author and a frequent speaker and media guest on the topic of generosity.

For a comprehensive look at why people give generously, purchase the executive report, “20 Truths about Tithing,” at YourChurchResources.com.
DONOR DENIED $25,000 CHARITABLE DEDUCTION

One mistake his church made that cost him thousands. By Richard R. Hammar

Donors must comply with specific substantiation requirements in order to claim a charitable contribution deduction on their tax return. Special rules apply to any contribution of cash or property valued by the donor at $250 or more. Failure to comply with these requirements may result in a loss of a tax deduction. It is important for church treasurers to be familiar with these requirements, since they generally are responsible for the issuance of contribution statements and receipts. A recent Tax Court case—Longino v. C.I.R., T.C. Memo. 2013-80 (2013)—illustrates the importance of compliance with these rules.

A donor made a cash contribution of $25,000 to a religious organization. The IRS audited the donor's tax return and denied the charitable contribution deduction on the ground that it was not properly substantiated. The donor appealed to the United States Tax Court.

The Tax Court's ruling. The Tax Court agreed with the IRS that the charitable contribution was not tax-deductible:

Because the amount of the alleged contribution exceeds $250, it must be evidenced by a contemporary written acknowledgment in order to be deductible. As evidence of his alleged contribution [the donor] provided a self-generated letter signed by himself. The letter states that the amount of cash contributed was $25,000, but it does not include any of the other required information. In particular, the letter is silent as to whether the donor received any goods or services in exchange for the cash. Both the Code and the regulations provide that such information is a necessary element of the contemporary written acknowledgment. Because he failed to provide a contemporary written acknowledgment of his contribution, we find that he is not entitled to deduct any amount for contribution.

Application to church leaders. This case illustrates the consequences that can result from a church's failure to comply with the substantiation requirements for charitable contributions. Those requirements are stricter for contributions of $250 or more, and, as this case demonstrates, require the written acknowledgment (receipt) provided by a charity to donors to be contemporaneous and include a statement indicating whether the charity provided goods or services to the donor in consideration of the contribution. If goods or services were provided, the church's written acknowledgment must provide a description and good faith estimate of the value of those goods or services, or, if only intangible religious benefits were provided, a statement to that effect.

Churches that fail to provide donors with a proper acknowledgment are jeopardizing the deductibility of donors' contributions.

Both the IRS and the Tax Court stressed that whether or not the donor actually made the donation was irrelevant. Even assuming that he did make the $25,000 contribution, he was not entitled to a charitable contribution deduction because he was unable to meet the strict substantiation requirements that apply to contributions of $250 or more. When it comes to the substantiation of charitable contributions, it is form over substance.

Substantiating Contributions of $250 or More—a Summary

Section 170(f)(8) of the tax code imposes special substantiation requirements for individual contributions of $250 or more:

(A) No deduction shall be allowed for any contribution of $250 or more unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgment of the contribution by the [charity] that meets the requirements of subparagraph (B).

(B) A1 acknowledgement meets the requirements of this subparagraph if it includes the following information:

(i) The amount of cash and a description (but not value) of any...
property other than cash contributed. (ii) Whether the [charity] provided any goods or services in consideration, in whole or in part, for any property described in clause (i). (iii) A description and good faith estimate of the value of any goods or services referred to in clause (ii) or, if such goods or services consist solely of intangible religious benefits, a statement to that effect. For purposes of this subparagraph, the term "intangible religious benefit" means any intangible religious benefit which is provided by an organization organized exclusively for religious purposes and which generally is not sold in a commercial transaction [e.g., worship services, teaching, and sacraments].

(C) An acknowledgment shall be considered to be contemporaneous if the taxpayer obtains the acknowledgment on or before the earlier of (i) the date on which the taxpayer files a return for the taxable year in which the contribution was made, or (ii) the due date (including extensions) for filing such return.

KEY POINT. The income tax regulations clarify that separate contributions of less than $250 are not subject to these additional requirements "regardless of whether the sum of the contributions made by the taxpayer to a charity during a taxable year equals $250 or more."

Tip. Be alert to any donation of noncash property that may be valued by the donor at more than $500. Be sure the donor is aware of the need to complete Section A of Form 8283 for donations of property valued at more than $500 but not more than $5,000, and Section B of Form 8283 for donations of property (other than publicly traded stock) valued at more than $5,000. The instructions to Form 8283 contain a helpful summary of the substantiation requirements that apply to these kinds of gifts. Different rules apply to donations of vehicles. Failure to comply with these rules may lead to a loss of a deduction. It is a good practice for churches to have some of these forms on hand to give to donors who make contributions of noncash property.

Tax Calendar
Important Tax Deadlines in July 2013

In addition to the regular semimonthly and monthly withholding requirements, churches should note the following dates for this month. If the regular due date falls on a Saturday, Sunday, or legal holiday, file by the next business day.

July 1
- Now is a good time to review the housing allowance designated for any minister on your staff for 2013. It may be that the allowance designated for 2013 was too low. If so, it can be increased for the remainder of the year. Simply have the church board (or other group that designated the original allowance) adopt a resolution amending the allowance. This need not result in any additional compensation being paid to a minister. Rather, a minister’s salary can be decreased by the amount of the increase in the housing allowance. But remember—any amended housing allowance is only effective from the date of the amendment. It cannot be applied retroactively.

July 30
- Churches hiring their first nonminister employee between April 1 and June 30 may exempt themselves from the employer’s share of Social Security and Medicare taxes by filing Form 8274 by this date (nonminister employees are thereafter treated as self-employed for Social Security purposes). Conditions apply.

July 31
- Churches having nonminister employees (or one or more ministers who report their federal income taxes as employees and who have elected voluntary withholding) must file an employer’s quarterly federal tax return (Form 941) for the second quarter of 2013 by this date. Enclose a check in the total amount of all withheld taxes (withheld income taxes, withheld Social Security and Medicare taxes paid by the employee, and the employer’s share of Social Security and Medicare taxes) if less than $2,500 on June 30, 2013.