Public Inspection Rules for 501(c)(3) Organizations

In return for not paying income taxes and for receiving tax-deductible contributions, Congress requires 501(c)(3) organizations to disclose the following information to the public upon request:

- Annual returns—Form 990, 990-EZ, 990-PF, and any Forms 990-T filed after August 17, 2006
- All Form 990 schedules, attachments, and supporting documents
- Application for exemption and all supporting documents (Form 1023)
- Letter from the IRS ruling that your organization has exempt status

As a representative of an exempt organization, you can post these documents on your website and direct people there if they make requests over the phone or via email. If you don’t have the documents posted, you need to make a copy of the forms—and you can charge the requesters a reasonable fee for doing so.

If the request is made in person, you should give the requester copies that day. If your organization has no office or has limited hours during certain times of the year, the requested information should be made available within two weeks.

If your organization intentionally disregards this rule, it will be penalized $20 each day for noncompliance, up to a maximum of $10,000. Also, if an individual at the organization willfully refuses to comply, he or she could be assessed a penalty up to $5,000.

Quid Pro Quo Disclosures

A contribution made by a donor in exchange for goods or services is a quid pro quo contribution.

If an exempt organization receives a donation greater than $75, and the donor receives goods or services in return for the contribution, the exempt organization must disclose the value of those goods or services to the donor. Donors can only claim a deduction for the amount they contributed that is above the value of the goods or services they received.

The disclosure statement must provide the donor with a good-faith estimate of the fair market value of the goods or services. It must also tell donors that they can only claim the contribution amount that exceeds the fair market value of the goods or services provided.

Your organization could be penalized if a statement is not provided at the time of solicitation or when the contribution is received. The penalty is $10 per contribution, up to $5,000 per fundraising event or mailing.

There are three exceptions to the rule:

1. Tokens, which are insubstantial goods or services an organization provides in exchange for contributions (They are tokens if the donor gave at least $43,* the item bears the organization’s name or logo, and the item doesn’t cost more than $8.60.*)
2. Membership benefits, described as annually recurring rights or privileges that result from an annual membership payment of $75 or less

3. Intangible religious benefits or benefits that are for religious purposes only and are not usually sold commercially

**Non-Quid Pro Quo Acknowledgments**

When you do not give a donor something in return for his or her contribution, you do not have a disclosure requirement. However, a donor cannot claim a tax deduction for any contribution unless he or she maintains a record of the contribution in the form of either a bank record or a written communication from the organization. In addition, without a written acknowledgment from you, donors cannot claim a tax deduction for any single contribution of $250 or more.

To help donors, send an acknowledgment letter, email, or postcard no later than January 31 of the year following the donation. Donors must have the acknowledgment by the time they file their individual Federal tax returns for that year or by the due date of the return—whichever is earlier.

Donor acknowledgment letters for contributions of $250 or more must include:

- Name of your organization
- Amount of cash contribution
- Description (but not value) of non-cash contribution
- Statement that no goods or services were provided by your organization in return for the contribution, if that was the case
- Description and good faith estimate of the value of goods or services, if any, that the organization provided in return for the contribution
- Statement that goods or services, if any, that your organization provided in return for the contribution were entirely intangible religious benefits, if that was the case

If a donor makes a single contribution of $250 or more in the form of unreimbursed expenses, like out-of-pocket transportation to speak at a conference your organization sponsored, you must send the donor a written acknowledgment letter, and the donor should keep good records of the expenses.

**Other Disclosure Rules**

If you offer to sell goods or services that are available for free from the Federal government, you must disclose that fact in a conspicuous and easily recognizable format.

* These dollar amounts are for 2006. Guideline amounts are adjusted for inflation. Contact IRS Exempt Organizations Customer Account Services at (877) 829-5500 for annual inflation adjustment information.