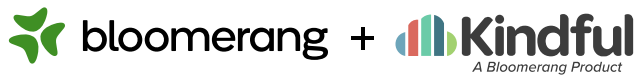


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Donation Acknowledgment Letter

Nonprofit Glossary

Donation Acknowledgment Letter



What is a donation acknowledgment letter?

A donation acknowledgment letter is a type of **donor letter** that you send to donors to document their charitable gifts and donations. Sometimes your **donation receipt** functions as a donor acknowledgement. However, that's not always the case.

All donors **deserve to be thanked**, no matter the size of their gift. Utilizing donor acknowledgment letters allows your donor to confirm receipt of their donation, keep a record of their contributions, and build rapport with your nonprofit.

While we recommend sending donation acknowledgment letters to all of your donors, you are legally obligated to send documentation to donors who have given a gift of \$250 or more. The IRS requires nonprofit organizations to provide a formal acknowledgment letter to these donors for tax purposes.

Why should you acknowledge your donors?

Besides the legal requirements, donors shouldn't wonder if their donation was received. Check and see if your email marketing tool or **nonprofit CRM** software makes it possible to automate your acknowledgments. You can make this process as easy and impactful as possible by creating an email template that sends out confirmation of the donation as soon as the donor's payment has processed on your donation page.

You should also be able to segment your donors into different lists based on different actions the donor has taken. For example, you could set up an automatic report that pulls a list of donors who have given more than \$250 to your nonprofit. You could then pass that list along to a board member to make personal phone calls to acknowledge the donors' gifts.

Do you have to send an acknowledgment letter for every donation?

You'll likely have some donors that make multiple contributions of \$250 or more throughout the year. So, do you need to send multiple acknowledgment letters to the same donor?

According to the IRS, you can choose to send an acknowledgment letter for every contribution or you can send one acknowledgement for all of the donor's contributions in one year. It's up to you which method you choose.

We recommend sending a year-end acknowledgement letter to your donors even if you sent separate ones for each of their donations. Why? It's the time your donors will be collecting the documents they need to file their taxes. If they made 3 or 4 contributions throughout the year, they may have a hard time shuffling through their old mail and email to find them. That means they may reach out to you and request a complete summary of their charitable contributions for the year.

It will save time for both you and your donor to go ahead and plan to send out a year-end acknowledgment letter or tax summary letter to all your donors. It's even better if your nonprofit CRM allows your donors to do this on-demand. For example, with Kindful's **donor accounts**, donors can download a PDF copy of contributions from the year in one click.

When is the deadline to send donation acknowledgments?

Technically, the IRS doesn't set a deadline for sending donation acknowledgments. But that doesn't mean you have as long as you want to send them out. **Most organizations aim to send their donation acknowledgments letters by January 31 of the year following the donation.**

There are two factors to keep in mind when it comes to your timing. One, all of your donors will need their tax acknowledgments before the federal tax filing deadline. **For donations made in 2020, the federal tax deadline in the United States is April 15, 2021.** While some donors may get extensions to file their taxes, you don't want to count on all your donors getting that extra time.

Most of your donors will file their taxes before the deadline, some as early as February. That's why most organizations are proactive and send their acknowledgments before January 31. You don't want an inbox full of requests for donor acknowledgments from February through April. Of course, if your donors have the ability to download tax summaries on demand, you're less likely to encounter this problem.

How do you acknowledge a donation?

The primary ways to acknowledge your donations are with an email or letter. There are several details that the **IRS requires you** to include:

- The name of your donor
- The full legal name of your organization
- A declaration of your organization's tax-exempt status
- Your organization's employer identification number
- The date the gift was received
- A description of the gift and the amount received
- Any exchanges your organization provided in receipt of the donation

Check out our **sample donation acknowledgment letter** to get a sense for what this will look like.

Many nonprofits use a **donor management system** to automate their acknowledgment letters. Although you could create a system using **spreadsheets** and mail merge, most donor management platforms or nonprofit CRMs will save you a lot of time by automatically creating a list of the donors that you need to acknowledge for their gift.

For example, with Kindful you can automatically trigger emails or mailings to go out when a certain action occurs—like a donor making a gift. Or, if you want to send a special acknowledgment to your major givers or recurring givers, you can set a task to follow up with a call or visit.

There's also an option for donors to download their year-end tax summaries on demand through their donor account. That way, they're never stuck waiting on a reply.

These automated features ensure that your organization is compliant with the IRS, help establish good communication with your donors, and remind you to do the tasks that strengthen your donor relationships.

Bottom line

All donors deserve to be recognized, no matter the size of their gift. Use donor acknowledgment letters to show your gratitude and provide donors with important information they'll need come tax season.

Related Resources:

- Altruic Advisors post: **How to Write a Donor Acknowledgment Letter**
- Kindful blog: **[Checklist] How To Effectively Personalize Your Donor Thank You Letters**
- IRS guidelines: **Charitable Contributions – Written Acknowledgments**

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