

Guidelines for Abandoned Church Projects

Guarding Trust Funds: Trust funds are monies which have been donated to the church for specific projects or purposes. It is the responsibility of the church board to guard all trust funds. It is against denominational policy for trust funds to be either borrowed or redirected to a different purpose. Even the church in business session only has the authority to re-direct funds under very special circumstances. The conference auditor should be consulted before funds are moved or used for another purpose. (Tutorial #6630)

Abandoned Church Projects: When the church has abandoned a project for which they have received designated donations, it is important for the church to contact all who have made specific donations to the project. Following are some guidelines from Richard Hammar's 2015 Church & Clergy Tax Guide relating to this situation.

"If donors can be identified, they should be asked if they want their contributions to be returned or retained by the church and used for some other purpose. Ideally, donors should communicate their decision in writing to avoid any misunderstandings. Churches must provide donors with this option in order to avoid violating their legal duty to use "trust funds" only for the purposes specified. "A church should send a letter to donors who request a refund of a prior designated contribution, informing them that

- a) *There may be tax consequences;*
- b) *They may want to consider filing an amended tax return to remove any deduction claimed during any of the three previous years as a result of their designated contribution; and*
- c) *They should discuss the options with their tax advisor."*

NOTE: *It is never appropriate to send a donor a 1099 for refunded donations.*

For more tutorials on IRS AND LABOR DEPT RELATED POLICIES, see section 6500 on the gccsda.org auditor webpage.