

MISSIONS TRIPS AND TAX DEDUCTIONS

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As summer approaches, many churches embark on mission trips. Many churches want their members to experience ministry outside the four walls of their church. All these trips have tax implications, but many churches treat these trips incorrectly for tax purposes. This article describes the tax rules that apply when volunteers take the trip. Please remember that when clergy and staff take a trip, different rules will apply.

Individuals may deduct contributions that are (1) **GIFTS TO** or (2) **FOR THE USE OF** a qualified organization. As discussed below, both types of contributions have additional requirements that must be met.

CASH DONATIONS

GIFTS TO QUALIFIED ORGANIZATIONS: Since churches are qualified organizations, direct cash payments are tax deductible if the donor does not receive any goods or services for the payment. Does the donor receive any goods or services when they pay to the church to go on a mission's trip? It depends on the trip. We must first analyze the primary purpose of the trip. A direct connect must exist between the expense incurred and the charitable, volunteer services being rendered. If primary purpose is to minister to others in the name of the church, then the trip qualifies as a church trip and is mostly deductible.

On the other hand, if the trip is retreat where the individual will receive ministry from the church, the individual is receiving good and/or services. This trip is personal and nondeductible. Trips where the primary purpose is to educate participants also fall into this category.

The Internal Revenue Code states, "No deduction shall be allowed under [charitable contributions] for traveling expenses (including amounts expended for meals and lodging) while away from home, whether paid directly or by reimbursement, unless there is no significant element of personal pleasure, recreation, or vacation in such travel." This provision has several requirements. First, the term "away from home" has the same meaning as it does for business travel. That is, one must travel overnight away from their "tax home" while rendering charitable, volunteer services. One's tax home is generally where one works and lives.

Next, we must examine whether the trip contains significant characteristics that make the trip comparable to a pleasure trip. In adding this provision to the Code, the Senate Committee observed that travel expenses remain deductible though the individual receives substantial pleasure from serving others through charitable works. In other words, the pleasure one receives from ministry will not preclude a deduction.

The courts will examine the itinerary closely to determine whether substantial blocks of time exist for personal activities. All trip days are either charitable work days or pleasure days. Most days must be charitable work days to make the airfare deductible. For example, if the trip

includes 5 days of sightseeing and 4 days of charitable work, then the participants receive no deduction for airfare and sightseeing days. To be classified as a work day, the participants must work most of the day.

These rules do not mean that all trip days must be volunteer work days. The church simply must disclose that the expenses related to personal days are not deductible. For example, the church would say that the trip costs \$600.00, \$400.00 of which is tax deductible.

Finally, the travel expenses must be reasonable in amount. The more luxurious the accommodations and meals, the more likely they are unreasonable. Please note that the IRS will likely use "luxurious" accommodations to demonstrate that the trip contained substantial elements of personal pleasure.

CASH TRIP EXPENSES

FOR THE USE OF QUALIFIED ORGANIZATIONS: If the payment is **FOR THE USE OF** the church, then it is tax deductible. For example, if the trip cost collected by the church does not include the evening meals, then the participant may deduct the cost of the evening meals. This rule would apply to every expense the individual pays directly.

PAYING FOR OTHERS TO GO

Many members have the skills needed on a trip, but lack the funds to pay for the trip. As a result, many church groups raise funds to pay for the trip by soliciting donations from friends and relatives. These contributions are deductible if the church controls the recipient of the funds. Stated another way, a gift to send Susie on the youth trip is not tax deductible, while a trip to support the youth trip is tax deductible. From a tax perspective, the best way to raise money for the youth trip is to raise money for the whole group. If it will cost \$20,000.00 to send the youth to Hollywood, California on a mission trip, then they need to raise money together to meet that goal. Another approach would be for the church to select the participants and then ask the donors to underwrite the cost of sending each on the trip. The church may raise funds to send Susie on the trip, but the donor cannot require the church to send Susie on the trip.

Happy travels this summer.