

MISSIONS TRIPS AND TAX DEDUCTIONS

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As summer approaches, many churches embark on mission trips. Churches want their members to experience ministry outside the four walls of their church. Many of these trips have tax advantages that many churches and volunteers overlook. This article discusses the tax rules that apply when volunteers embark on a ministry trip. Please remember that different rules apply to clergy and paid staff when they travel.

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. This would include instances where the church collects the funds for the ministry trip. 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 connection must exist between the expense incurred and the charitable, volunteer services being rendered. If the 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 a 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; i.e. trips to Israel.

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 have examined trip itineraries closely to determine whether substantial blocks of time exist for personal activities. All trip days are counted either as 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 perform meaningful charitable work most of the day. My firm recommends that the volunteer work at least 6 hours for the day to qualify as a work day. Also, travel days are generally considered work days.

These rules do not mean that all trip days must be charitable work days. It simply means that the expenses associated with pleasure days are not deductible. The church simply must disclose that fact to the trip participants. For example, the church could tell participants 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. If the entire cost is paid directly to travel vendors, then it is still deductible if the trip meets the rules discussed above.

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 selection of the recipient of the funds. A gift designated by the donor to send Susie on the youth trip is not tax deductible. Instead, a gift designated by the donor 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 on a mission trip to Hollywood, California, 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. In other words, 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.