

Charitable Contributions Essentials

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Agenda

- IRS Definition
- Basic Tests for Deduction
 - Bona Fide Transfers of Money or Property
 - Permissible Donees
 - No Consideration Received in Return
 - Substantiation and Documentation Requirements
- Deducting Contributions Made by the University
- Examples of Common Donations at Colleges and Universities
- What Campus Charitable Guidelines Might Contain

IRS Definition

Internal Revenue Code § 170 - Charitable, etc., contributions and gifts.

(a) Allowance of deduction.

(1) General rule – There shall be allowed as a deduction any charitable contribution... payment of which is made within the taxable year. A charitable contribution shall be allowable as a deduction only if verified under regulations prescribed by the Secretary.

(b)(1)(A) [Allows charitable contribution to –]

(vi) an organization... which normally receives a substantial part of its support (exclusive of income received in the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501(a)) from a governmental unit referred to in subsection (c)(1) or from direct or indirect contributions from the general public,

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Basic Tests for Deduction

In order for a charitable donation to be allowed as a deduction, some basic requirements include:

- Bona fide transfer of money or property
- Recipient is a permissible donee
- No receipt of economic consideration or benefit
- Contribution made in proper form

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Bona Fide Transfer of Money or Property

- Donor must actually part with something and donee must actually receive something
- Dominion and control over the money or property
- Gift subject to condition subsequent, vs. Gift subject to condition precedent
- Transfer of money must involve the payment of money
- No deduction allowed for value of services performed

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Permissible Donees

To be deductible by the donor, the contribution or gift must:

- Be made to a state or the United States, but only if for an exclusive public purpose; or
- To a charitable, educational or similar type organization that has section 501 (c)(3) exempt status

Note that *most* educational institutions will qualify if they are organized on a nonprofit basis.

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