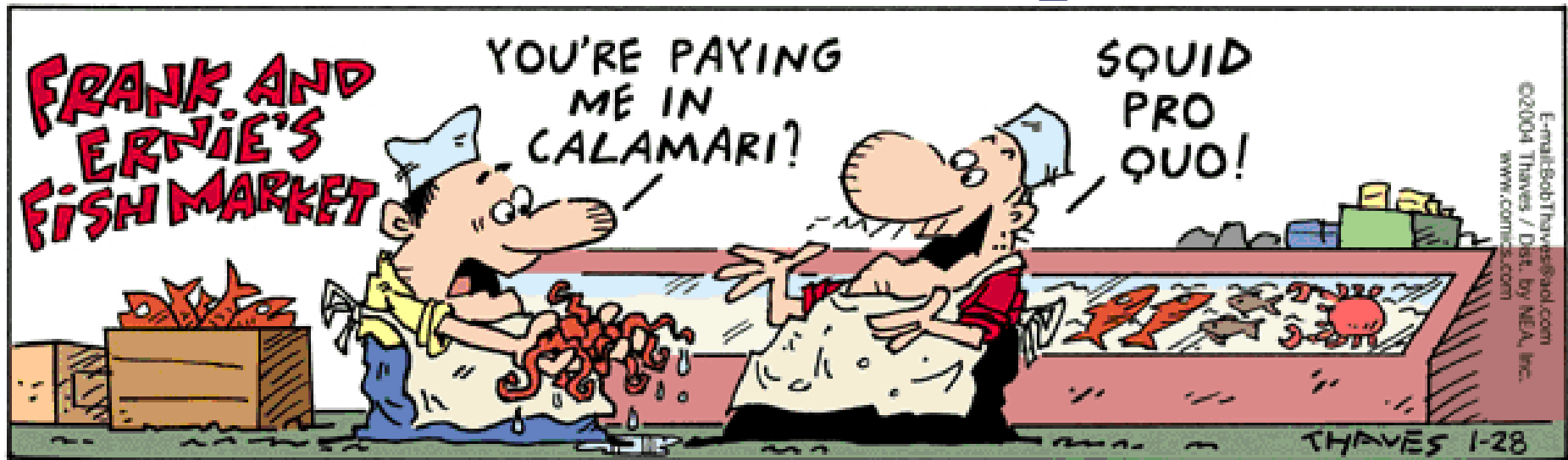


Quid Pro Quo Contributions

- What the IRS Says
- Token Value Benefits
- Fair Market Value (FMV)
- Fundraising Events
- Fundraising Auctions
- Seating at Athletics Events
- “Games of Chance” and Policy
- Raffles



Quid Pro Quo Contributions



Quid Pro Quo Contributions

- **What the IRS Says**

- A payment from a donor - part gift and part in consideration for goods or services
- The value of the benefits received is key in determining the amount of the gift.
- The gift is only the amount of the payment that exceeds the value of the benefits received by the donor.
- The benefits must have a “substantial” in order to be subtracted from the donors payment.
- Items that have insubstantial (token) value need not be subtracted from the contribution.



Quid Pro Quo Contributions

- Token Value Benefits
 - Small items of merchandise or other benefits (bookmarks, calendars, key chains, mugs, posters, t-shirts, etc.) offered when donors make a contribution.
- Token value in relation to the amount contributed
- Burdensome to inform each donor of the amount of the payment that is deductible.
- Inconsequential or insubstantial so that the full amount of the donor's payment should be deductible as a contribution.
- IRS has rules under which a donor may disregard the value of *token* benefits and deduct the full amount of a payment.



Quid Pro Quo Contributions

- Token Benefit Rules (2010)
 - A payment is fully deductible if:
 - The fair market value of all the benefits received by the donor is not more than \$96 or 2% of the payment, whichever is less, or
 - The donor's payment is \$48 or more and the only benefits received are token items that bear OU's name or logo and have an aggregate cost of no more than \$9.60.
 - (DON'T WORRY – WE HAVE EXAMPLES !)



Quid Pro Quo Contributions

TOKEN BENEFIT EXAMPLES BASED ON IRS RULES FOR 2010

		Example 1	
1	Required Payment	\$25.00	
	Donor Benefits (premiums)	Cost	FMV
	Mug		
	Keychain		
	T-shirt		
	2 concert tickets(NOT token item)		
	Lapel pin	\$0.25	\$0.50
	Total	\$0.25	\$0.50
2	FMV as % of Required Payment	2.0%	
3	FMV of benefits is less than or equal to 2% of the required payment or \$96, whichever is less. (yes or no)	Yes	
4	Required payment is \$48 or more. (yes or no)	No	
5	Total cost of benefits is \$9.60 or less. (yes or no)	Yes	
6	Donor was informed of the FMV of benefits?	Yes	
7	Tax Deductible Amount	\$25.00	

A payment is fully deductible if the answer in line #3 is "Yes" or if the answer in lines #4 and #5 is "Yes", otherwise the payment is partially or totally non-deductible.



Quid Pro Quo Contributions

TOKEN BENEFIT EXAMPLES BASED ON IRS RULES FOR 2010

		Example 1		Example 2	
1	Required Payment	\$25.00		\$50.00	
	Donor Benefits (premiums)	Cost	FMV	Cost	FMV
	Mug				
	Keychain			\$1.00	\$2.00
	T-shirt				
	2 concert tickets(NOT token item)				
	Lapel pin	\$0.25	\$0.50		
	Total	\$0.25	\$0.50	\$1.00	\$2.00
2	FMV as % of Required Payment	2.0%		4.0%	
3	FMV of benefits is less than or equal to 2% of the required payment or \$96, whichever is less. (yes or no)	Yes		No	
4	Donors required payment \$48 or more. (yes or no)	No		Yes	
5	Total cost of benefits is \$9.60 or less. (yes or no)	Yes		Yes	
6	Donor informed of the FMV of benefits. (yes or no)	Yes		Yes	
7	Tax Deductible Amount	\$25.00		\$50.00	

A payment is fully deductible if the answer in line #3 is "Yes" or if the answer in lines #4 and #5 is "Yes", otherwise the payment is partially or totally non-deductible.



Quid Pro Quo Contributions

TOKEN BENEFIT EXAMPLES BASED ON IRS RULES FOR 2010

		Example 1		Example 2		Example 3	
1	Required Payment	\$25.00		\$50.00		\$50.00	
	Donor Benefits (premiums)	Cost	FMV	Cost	FMV	Cost	FMV
	Mug					\$3.00	\$5.00
	Keychain			\$1.00	\$2.00	\$1.00	\$2.00
	T-shirt					\$8.00	\$10.00
	2 concert tickets(NOT token						
	Lapel pin	\$0.25	\$0.50				
	Total	\$0.25	\$0.50	\$1.00	\$2.00	\$12.00	\$17.00
2	FMV as % of Required Payment	2.0%		4.0%		34.0%	
3	FMV of benefits is less than or equal to 2% of the required payment or \$96, whichever is less. (yes or no)	Yes		No		No	
4	Donors required payment is \$48 or more. (yes or no)	No		Yes		Yes	
5	Total cost of benefits is \$9.60 or less. (yes or no)	Yes		Yes		No	
6	Donor informed of FMV of benefits. (yes or no)	Yes		Yes		Yes	
7	Tax Deductible Amount	\$25.00		\$50.00		\$33.00	

A payment is fully deductible if the answer in line #3 is "Yes" or if the answer in lines #4 and #5 is "Yes", otherwise the payment is partially or totally non-deductible.



Quid Pro Quo Contributions

Notice the tickets did not cost OU anything but they did cost somebody something and are NOT a token item.

TOKEN BENEFIT EXAMPLES BASED ON IRS RULES FOR 2010

		Example 1		Example 2		Example 3		Example 4	
1	Required Payment	\$25.00		\$50.00		\$50.00		\$75.00	
	Donor Benefits (premiums)	Cost	FMV	Cost	FMV	Cost	FMV	Cost	FMV
	Mug					\$3.00	\$5.00	\$3.00	\$5.00
	Keychain			\$1.00	\$2.00	\$1.00	\$2.00		
	T-shirt					\$8.00	\$10.00	\$5.00	\$10.00
	2 concert tickets(NOT a token item)							\$0.00	\$80.00
	Lapel pin	\$0.25	\$0.50						
	Total	\$0.25	\$0.50	\$1.00	\$2.00	\$12.00	\$17.00	\$8.00	\$95.00
2	FMV as % of Required Payment	2.0%		4.0%		34.0%		126.7%	
3	FMV of benefits is less than or equal to 2% of the required payment or \$96, whichever is less. (yes or no)	Yes		No		No		No	
4	Donors required payment \$48 or more. (yes or no)	No		Yes		Yes		Yes	
5	Total cost of benefits is \$9.60 or less. (yes or no)	Yes		Yes		No		Yes	
6	Donor informed of FMV of benefits. (yes or no)	Yes		Yes		Yes		Yes	
7	Tax Deductible Amount	\$25.00		\$50.00		\$33.00		\$0.00	

A payment is fully deductible if the answer in line #3 is "Yes" or if the answer in lines #4 and #5 is "Yes", otherwise the payment is partially or totally non-deductible.



Quid Pro Quo Contributions

- **Fair Market Value (FMV):**

- The value of benefits received by the donor must be
 - based on the FMV of the benefits
 - determined through a “good faith” effort
 - *not necessarily the cost of the items.*
- OU has:
 - procedure for determining FMV for goods and services provided to donors.
 - Excel template to help determine the FMV of the goods and services.



Quid Pro Quo Contributions

- **Fundraising Events:**

- The following steps should occur for all fundraising events where something of value is exchanged for a payment:
 - 1) Annual Giving department to be notified by the event organizer prior to event materials being created.
 - 2) Annual Giving will work in collaboration with the event organizers to complete the fair market value (FMV) worksheet to determine:
 - a) An estimated per person cost for the event
 - b) The payment amount to attend the event
 - c) The FMV of any and all goods and/or services provided to the payee in return for their payment to attend the event.
 - 3) Annual Giving department will provide the costs, payment amount and FMV to the director of development information services for review and approval.
 - 4) The vice president or assistant vice president for university relations will receive the documents for final approval.



Quid Pro Quo Contributions

- **Fundraising Events:**

- The FMV Calculation:

- Determine all the costs (direct and indirect) associated with the goods and services received by the donor.
- Determine the average cost per person.
- The FMV is what the average person would pay for a
 - “like” event
 - at a “like” venue
 - not necessarily our cost
 - if the calculated cost per person is \$100, but the average person would pay \$75 for a “like” event at a “like” venue, the FMV would be \$75.
- *Is the donor receiving a benefit that OU is not paying for? This also must be factored in.*
- *The FMV must be communicated to the donor on marketing materials / invitations.*



Quid Pro Quo Contributions

- **The FMV must be communicated to the donor on marketing materials / invitations.**
 - Policy #500 includes the following disclosure obligation:
 - *“In accordance with IRS requirements, invitations, reply cards, tickets, letters and other printed materials connected with a fundraising event must also reflect the fair market value of any benefit to the donor. This applies to all fund-raising events, including those that are underwritten.”*



- Example FMV calculation worksheet

- On UR's shared drive in the "DO Material" folder

FUNDRAISING EVENT WORKSHEET TO DETERMINE FAIR MARKET VALUE OF SPECIAL EVENTS			
Event Name:	2006 KOD		
Event Date:	February 15, 2006		
Responsible Unit:	Annual Giving		
Event Organizer:	Julie Vulaj		
Estimated # of Attenders:	450		
Direct Costs for items/services of value received by the event attendee			
	Total	per person (from vendor)	
Dinner	\$ 22,500.00	\$ 50.00	
Mug	\$ 2,500.00	\$ 5.00	
????	\$ 450.00	\$ 1.00	
????	\$ 900.00	\$ 2.00	
Total Direct Costs	\$ 26,350.00	\$ 58.00	
Direct Costs per est. attendee	\$ 58.56		
Indirect Costs			
Ballroom rental	\$ 25,000.00		
Valet labor	\$ 5,000.00		
????	\$ 2,000.00		
????	\$ 1,000.00		
Total Indirect Costs	\$ 33,000.00		
Indirect Costs per est. attendee	\$ 73.33		
Grand Total Costs for Event	\$ 59,350.00		
Grand Total Costs per est. attendee	\$ 131.89		
Fair Market Value Considerations			
Definition: FMV is what someone would be willing to pay for a "like" event at a "like" venue and should include and benefits received by the donor included benefits not paid for by OU.			
<i>Based on the calculations and the definition of FMV, enter the payment amount and the FMV below.</i>			
	Payment Amt.	FMV	Deductible Amt.
Actual	\$ 200.00	\$ 131.89	\$ 68.11
Rounded	\$ 200.00	\$ 132.00	\$ 68.00
Based on the definition of FMV, what are the reasons you chose the FMV that you did?			
	SIGNATURES		Date
Event Organizer:			
Director of Annual Giving:			
Director of DIS or Budget Manager:			
Vice President:			



Quid Pro Quo Contributions

- **Donors Opting out of Receiving Goods and Services:**
 - Communicated to OU by donor prior to the event and processing the payment.
 - Can't give a donor an amended receipt with a higher gift amount because they told us after the event that they were not able to attend.
 - If a donor does not take advantage of the benefits, the benefits were still provided. (*The IRS*)



Quid Pro Quo Contributions

● Fundraising Auctions:

- Bidder must be informed of the FMV prior to bidding in order to claim they had charitable intent by bidding in excess of FMV,
 - if not:
- No charitable donation was made by the winning bidder,
 - because:
- The winning bid becomes the basis for the FMV as the transaction became a “purchase”.



Quid Pro Quo Contributions

- **Tickets for seating at an athletic event**
 - In the institution's stadium
 - If a donor receives the right to purchase preferred seating or any seat for an athletic event in return for their gift, only 80% of their contribution is tax deductible.
 - Preferred seating: usually when tickets are readily available
 - Any seat: usually when tickets are unavailable but ones comes available.
 - Donor must be made aware of this prior to the transaction being made – they don't like surprises.



Quid Pro Quo Contributions

- **Bottom Line:**

- The amount received from the donor may not be entirely tax deductible or countable in reports.

