GIFTS AND PLEDGES

IRS, UNCG, and CASE Guidelines

“Everything You Need to Know”

(Almost)
Training Topics

- Why this Training?
- Gift, Pledge, and Grant Policy
- Advancement Definitions
- Pledge Write-Offs
- Pledge Reminders
- Quid Pro Quo Contributions
- Donor Advised Funds
- IRA Charitable Rollover Gifts
- Games of Chance
- Gifts-In-Kind / Real Estate / Gifts of Services
- Securities (stocks, mutual funds)
- Partial Interests in Property
- Agency Funds
- Corporate Sponsorships vs. Advertising
- Contributions vs. Contracts (Exchange Transactions)
- Scholarship Gifts
- Where to Get More Information
Important note:

• All information on IRS and/or tax issues contained in this presentation are based on UNCG’s interpretations of IRS rulings and legal documents. All other institutions must discuss these issues with their own counsel and finance experts as UNCG does not provide legal and/or tax advice to donors or other entities.
Why This Training?

• Newcomers to the profession
• A refresher to the rest of us
• To get everyone on the same page as it relates to IRS, CASE, and UNCG policies.
• Good stewardship
• To remind you that Advancement Services is here to assist
• In advance vs. after the fact
Gift, Pledges, and Grants Policy

• Gifts
  o Gifts must be submitted to Gift Accounting the same day as received.
  o Supporting documents must accompany the gift
    • used to determine if it is a gift
    • how to properly code it in Banner
    • helps alleviate calls from AS
Gift, Pledges, and Grants Policy

- **Pledges**
  - *Verbal pledges*
    - do not get processed
  - *Documented pledges*
    - outlining the pledge agreement and the donor’s payment intentions / schedule
    - from the donor to the University, or
    - from the University to the donor
      - (for bequests & planned gifts – need signed document from donor agreeing with what was sent to them by UNCG)
    - must be provided to gift accounting
    - Statements of Establishment / Gift/Endowment Agreements
Advancement Definitions

- **Pledge**: A donor’s promise to give (one time or in installments)
- **Gift**: The 100% transfer of assets from the donor to UNCG with “no strings attached”
- **Pledge Payment**: A 100% transfer of assets from the donor to UNCG with “no strings attached” applied to a previous pledge
- **Outright Gift**: Same as “gift” but not a payment on a pledge.
- **Commitment**: A pledge or an outright gift, not a payment on a pledge
- **Soft Credit**: Credit / gift recognition for a gift from another entity (no gift receipt) *(automated soft credit)*
- **Third Party Payments**: When someone makes a payment on another person’s/company’s pledge.
Pledge Write-Offs

• Pledges do not feed to the general ledger as revenue at UNCG.

• Most but not all pledges get completely paid.

• All older uncollectible pledges are written off annually.

• Write offs reduce pledge revenue and pledges receivable.
Pledge Reminders

• Telefund
  o 1st reminder: sent by annual giving after pledge is made
  o 2nd reminder: sent by annual giving 30 days after all calling is done
  o 3rd reminder: sent 30 days after second reminder
  o 4th reminder: Don Corleone – “The Godfather”
  o Write off process in July after the FY is done
Pledge Reminders

• Non-Telefund (mostly the larger pledges)
  o DO given option for reminder method
    • Personal contact
    • Reminder letters
      – 1<sup>st</sup> reminder sent month prior to installment due date
      – 2<sup>nd</sup> reminder sent following month
      – 3<sup>rd</sup> reminder sent following month
      – 4<sup>th</sup> reminder - Michael Corleone – The Godfather’s Son
      – DO can get involved at any time
Quid Pro Quo Contributions

• What the IRS Says
• Token Value Benefits
• Fair Market Value (FMV)
• Fundraising Events
• Fundraising Auctions
• Seating at Athletics Events
• Raffles and other Games of Chance
Quid Pro Quo Contributions
Quid Pro Quo Contributions

• What the IRS Says
  o A payment from a donor - part gift and part in consideration for goods or services
  o The value of the benefits received is key in determining the amount of the gift.
  o The gift is only the amount of the payment that exceeds the value of the benefits received by the donor.
  o The benefits must have a “substantial” value in order to be subtracted from the donors payment.
  o 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 (2018)
  ○ A payment is fully deductible if:
    • The fair market value of all the benefits received by the donor is not more than $109 or 2% of the payment, whichever is less, or
    • The donor’s payment is $54.50 or more and the only benefits received are token items that bear UNCG’s name or logo and have an aggregate cost of no more than $10.90.
    • (DON’T WORRY – WE HAVE EXAMPLES !)
### Quid Pro Quo Contributions

<table>
<thead>
<tr>
<th></th>
<th>Example 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Required Payment</td>
</tr>
<tr>
<td></td>
<td>Donor Benefits (premiums)</td>
</tr>
<tr>
<td></td>
<td>Mug</td>
</tr>
<tr>
<td></td>
<td>Keychain</td>
</tr>
<tr>
<td></td>
<td>T-shirt</td>
</tr>
<tr>
<td></td>
<td>2 concert tickets (NOT token item)</td>
</tr>
<tr>
<td></td>
<td>Lapel pin</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>2</td>
<td>FMV as % of Required Payment</td>
</tr>
<tr>
<td>3</td>
<td>FMV of benefits is less than or equal to 2% of the required payment or $109, whichever is less. (yes or no)</td>
</tr>
<tr>
<td>4</td>
<td>Required payment is $54.50 or more. (yes or no)</td>
</tr>
<tr>
<td>5</td>
<td>Total value of benefits is $10.90 or less. (yes or no)</td>
</tr>
<tr>
<td>6</td>
<td>Donor was informed of the FMV of benefits?</td>
</tr>
<tr>
<td>7</td>
<td>Tax Deductible Amount</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th></th>
<th>Example 1</th>
<th>Example 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Required Payment</td>
<td>$25.00</td>
<td>$55.00</td>
</tr>
<tr>
<td>Donor Benefits (premiums)</td>
<td>Cost</td>
<td>FMV</td>
</tr>
<tr>
<td>Mug</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keychain</td>
<td></td>
<td>$1.00</td>
</tr>
<tr>
<td>T-shirt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 concert tickets (NOT token item)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lapel pin</td>
<td>$0.25</td>
<td>$0.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$0.25</td>
<td>$0.50</td>
</tr>
</tbody>
</table>

| **2** FMV as % of Required Payment | 2.0% | 3.6% |
| **3** FMV of benefits is less than or equal to 2% of the required payment or $109, whichever is less. (yes or no) | Yes | No |
| **4** Donors required payment $54.50 or more. (yes or no) | No | Yes |
| **5** Total value of benefits is $10.90 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 | $55.00 |

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

<table>
<thead>
<tr>
<th>Donor Benefits (premiums)</th>
<th>Cost</th>
<th>FMV</th>
<th>Cost</th>
<th>FMV</th>
<th>Cost</th>
<th>FMV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mug</td>
<td>$3.00</td>
<td>$5.00</td>
<td>$3.00</td>
<td>$5.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keychain</td>
<td>$1.00</td>
<td>$2.00</td>
<td>$1.00</td>
<td>$2.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T-shirt</td>
<td></td>
<td></td>
<td>$8.00</td>
<td>$10.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 concert tickets (NOT token item)</td>
<td></td>
<td></td>
<td>$0.25</td>
<td>$0.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lapel pin</td>
<td>$0.25</td>
<td>$0.50</td>
<td>$1.00</td>
<td>$2.00</td>
<td>$12.00</td>
<td>$17.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$0.25</td>
<td>$0.50</td>
<td>$1.00</td>
<td>$2.00</td>
<td>$12.00</td>
<td>$17.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FMV as % of Required Payment</th>
<th>Example 1</th>
<th>Example 2</th>
<th>Example 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2% of required payment or $109, whichever is less.</td>
<td>2.0%</td>
<td>4.0%</td>
<td>30.9%</td>
</tr>
<tr>
<td>Donors required payment is $54.50 or more.</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Total value of benefits is $10.90 or less.</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Donor informed of FMV of benefits.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Tax Deductible Amount</strong></td>
<td>$25.00</td>
<td>$50.00</td>
<td>$38.00</td>
</tr>
</tbody>
</table>

*Example 1: $25.00, 2.0%\[FMV\]*

*Example 2: $50.00, 4.0%\[FMV\]*

*Example 3: $55.00, 30.9%\[FMV\]*

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

<table>
<thead>
<tr>
<th>1 Required Payment</th>
<th>Example 1</th>
<th>Example 2</th>
<th>Example 3</th>
<th>Example 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor Benefits (premiums)</td>
<td>Cost</td>
<td>FMV</td>
<td>Cost</td>
<td>FMV</td>
</tr>
<tr>
<td>Mug</td>
<td>$3.00</td>
<td>$5.00</td>
<td>$3.00</td>
<td>$5.00</td>
</tr>
<tr>
<td>Keychain</td>
<td>$1.00</td>
<td>$2.00</td>
<td>$1.00</td>
<td>$2.00</td>
</tr>
<tr>
<td>T-shirt</td>
<td>$8.00</td>
<td>$10.00</td>
<td>$8.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>2 concert tickets (NOT a token item)</td>
<td>$0.00</td>
<td>$80.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lapel pin</td>
<td>$0.25</td>
<td>$0.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$0.25</strong></td>
<td><strong>$0.50</strong></td>
<td><strong>$1.00</strong></td>
<td><strong>$2.00</strong></td>
</tr>
<tr>
<td>2 FMV as % of Required Payment</td>
<td>2.0%</td>
<td>3.6%</td>
<td>30.9%</td>
<td>126.7%</td>
</tr>
<tr>
<td>3 FMV of benefits is less than or equal to 2% of the required payment or $109, whichever is less. (yes or no)</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>4 Donors required payment $54.50 or more. (yes or no)</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>5 Total value of benefits is $10.90 or less. (yes or no)</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>6 Donor informed of FMV of benefits. (yes or no)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>7 Tax Deductible Amount</td>
<td><strong>$25.00</strong></td>
<td><strong>$55.00</strong></td>
<td><strong>$38.00</strong></td>
<td><strong>$0.00</strong></td>
</tr>
</tbody>
</table>

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):**
  o 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.*
  o For the benefit of your campus, do you have:
    • 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) Advancement Operations to be notified by the event organizer prior to event materials being created.
    2) Advancement Operations will work in collaboration with the event organizers to complete a 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.
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 UNCG 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

“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.”
### Fair Market Value Worksheet to Determine

**Event Name:** 2006 KOD  
**Event Date:** February 15, 2006  
**Responsible Unit:** Annual Giving  
**Event Organizer:** Julie Vulaj  
**Estimated # of Attendees:** 450

### Direct Costs for items/services of value received by the event attender

<table>
<thead>
<tr>
<th>Item</th>
<th>Total</th>
<th>per person (from vendor)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dinner</td>
<td>$22,500.00</td>
<td>$50.00</td>
</tr>
<tr>
<td>Mug</td>
<td>$2,500.00</td>
<td>$5.00</td>
</tr>
<tr>
<td>???</td>
<td>$450.00</td>
<td>$1.00</td>
</tr>
<tr>
<td>???</td>
<td>$900.00</td>
<td>$2.00</td>
</tr>
<tr>
<td><strong>Total Direct Costs</strong></td>
<td><strong>$26,350.00</strong></td>
<td><strong>$58.00</strong></td>
</tr>
</tbody>
</table>

**Direct Costs per est. attender:** $58.56

### Indirect Costs

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ballroom rental</td>
<td>$25,000.00</td>
</tr>
<tr>
<td>Valet labor</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>???</td>
<td>$2,000.00</td>
</tr>
<tr>
<td>???</td>
<td>$1,000.00</td>
</tr>
<tr>
<td><strong>Total Indirect Costs</strong></td>
<td><strong>$33,000.00</strong></td>
</tr>
</tbody>
</table>

**Indirect Costs per est. attender:** $73.33

**Grand Total Costs for Event:** $59,350.00  
**Grand Total Costs per est. attender:** $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.

**Based on the calculations and the definition of FMV, enter the payment amount and the FMV below.**

<table>
<thead>
<tr>
<th>Payment Amt.</th>
<th>FMV</th>
<th>Deductible Amt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>$200.00</td>
<td>$131.89</td>
</tr>
<tr>
<td>Rounded</td>
<td>$200.00</td>
<td>$132.00</td>
</tr>
</tbody>
</table>

**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:
  o Communicated to UNCG by donor prior to the event and processing the payment.
  o 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.
  o 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 at 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 available but one comes available

  Donor must be made aware of this prior to the transaction being made – they don’t like surprises.

The Tax Cuts and Jobs Act, the U.S. tax reform bill signed into law late last year, repeals the 80/20 Rule.
Quid Pro Quo Contributions

• **Tickets for seating at an athletic event**
  - Now what?
    • As of Jan. 1, 2018, donors who make a contribution to or for the benefit of a college or university in exchange for the right to purchase tickets or seating at an athletic event in the university’s stadium can no longer take a charitable deduction on 80 percent of the contribution.
    • The law clearly states that, “no charitable deduction will be allowed for any amount” of these contributions.
Quid Pro Quo Contributions

- **Tickets for seating at an athletic event**
  - What about point systems?
    - It depends on whether Treasury and IRS officials view points as equivalent to the right to purchase seating.
    - The law is very clear that 100 percent of a contribution made in exchange for the right to purchase tickets or seats is nondeductible.
  - Again, now what?
    - UNC System, and individual schools will probably be working on guidelines by getting lawyers involved.
    - That’s all I know.
    - How about you?
  - Interesting reading from January 26, 2018
Quid Pro Quo Contributions

- **Bottom Line:**
  - The amount received from the donor may not be entirely tax deductible or countable in reports.
and because it's always time to poke fun at the IRS...
Donor Advised Funds

- A donor-advised fund is like a charitable investment account, for the sole purpose of supporting charitable organizations one cares about. When someone contributes cash, securities or other assets to a donor-advised fund, like Fidelity Charitable or a Community Foundation, they are generally eligible to take an immediate tax deduction. Then those funds can be invested for tax-free growth and the donor can recommend grants to any IRS-qualified public charity.
Donor Advised Funds

• Grants cannot be made from donor advised funds which confer an economic benefit, other than an incidental benefit, to a donor or related party.

• Examples of non-incidental benefits
  o reservations to participate in fund raising events where a non-incidental economic benefit, such as a meal, a sporting event, etc. is part of the value of the reservation paid.
Donor Advised Funds

- IRS Notice 2017-73 describes regulations being considered that would establish the following rules:
  - **Fulfillment of Donor Pledges:** Grants from a DAF that fulfill the personal pledge of a donor/advisor – even a legally binding pledge – would not be treated as a “more than incidental benefit” under section 4967 of the Code as the following requirements are satisfied:
    - The DAF sponsoring organization makes no reference to the existence of any charitable pledge when making the distribution from the donor’s DAF (references to the name of the person who advised on the distribution are permitted);
    - No Donor/Advisor receives, directly or indirectly, any other benefit that is more than incidental on account of the DAF distribution; and
    - The Donor/Advisor does not claim a charitable contribution deduction for the DAF distribution, even if the charity receiving the distribution mistakenly sends the Donor/Advisor a tax acknowledgement.
    - The Notice provides that donors and DAF sponsoring organizations may rely on this guidance relating to fulfillment of pledges immediately.
IRA Charitable Rollover Gifts

Legislation enacted in December 2015 authorized charitable gifts from IRAs. Among the provisions of the bill is:

- an exclusion from gross income for income tax purposes of up to $100,000 (per IRA account owner) for “qualified charitable distributions” from an Individual Retirement Account (IRA).

- The distribution will count toward an individual’s Required Minimum Distribution (RMD).

- The statutory requirements for a “qualified charitable distribution” are as follows:
  - The distribution must be made from an IRA (other retirement accounts are not eligible).
  - The recipient must be an eligible charitable organization.
  - The IRA’s owner must be at least age 70½.
  - The distribution must be made directly to the charity by December 31.
  - The distribution must otherwise be fully deductible as a charitable contribution.
  - The distribution must otherwise be included in gross income.
Dear Mr. Smith,

Thank you for your recent contribution of $1,000.00, received on July 27, 2017 from your Individual Retirement Account (IRA). We are writing to acknowledge that we received your contribution directly from your plan trustee/administrator, Bank of America, and that it is your intention for your contribution to be a Qualified Charitable Distribution (QCD) from your IRA under section 408(d)(8) of the Internal Revenue Code.

In that connection, we warrant to you that our organization is qualified under section 170(b)(1)(A) of the Internal Revenue Code and that your contribution was not transferred to either a donor-advised fund or a supporting organization as described in section 509(a)(3). As you requested, this contribution was designated to the ABC Scholarship Fund.

We also warrant that no goods or services of any value were or will be transferred to you in connection with this contribution. Please retain this letter with your important tax documents and provide a copy to your tax advisor.

Sincerely,

Robert S. Saunders, Director of Advancement Operations
Games of Chance

- **Types**
  - Raffles
  - Bingo
  - Millionaire parties
  - Charity games

- **Authorizing Officer**

- **State Licenses**
  - Very important
  - Timing
Games of Chance

• **Raffles:**
  o You are conducting a raffle if you are charging people or requiring them to donate or provide something of value to participate in a drawing where a prize will be awarded.
    • University Approval?
    • Keep separate from gift solicitations
    • Withholding and Reporting Requirements
    • Misconception
    • Raffle Licenses?
Games of Chance

• **Raffles:**
  - Admission tickets to fundraising events should be sold separately from raffle and/or door prize tickets
    - insures that you do not create a situation where attendees lose the ability to deduct a portion of the ticket price as a charitable contribution to the University
  - No portion of a payment made resulting in an opportunity to win a prize (raffle tickets, door prizes, etc.) is a gift.  
    (IRS Rev. Rul. 67-246)
• **Raffles:**
  - **Reporting and Withholding Requirements**
    - NC state and local taxes imposed upon the recipient of a prize? Work with your accounting office.
    - Federal requirements – see chart on next slide
      - Separate raffle ticket purchase was required
      - Separate raffle ticket purchase was NOT required
      - Value of prize won
      - Employees
    - Obtain winner’s SSN if prize is $600 or more.
**Table No. 1 -- Reporting and Withholding Requirements for Raffles, Door Prizes, Lotteries and Other Drawings (Ticket Purchase Required)**

<table>
<thead>
<tr>
<th>PRIZE VALUE – REDUCED BY TICKET PRICE</th>
<th>UNIVERSITY’S REPORTING OBLIGATIONS</th>
<th>UNIVERSITY’S REGULAR WITHHOLDING OBLIGATIONS</th>
<th>UNIVERSITY’S BACKUP WITHHOLDING OBLIGATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$599 or less</td>
<td>None*</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>$600 - $4,999</td>
<td>File Form W2-G if prize value more than 300 times ticket price*</td>
<td>None</td>
<td>Withhold 28% if no valid Social Security Number</td>
</tr>
<tr>
<td>$5,000 or more</td>
<td>File Form W2-G*</td>
<td>Withhold 25% for cash prizes and 25% or 33.33% for non-cash prizes**</td>
<td>Withhold 28% if no valid Social Security Number</td>
</tr>
</tbody>
</table>

*The taxpayer should complete an IRS Form 5754, Statement by Person(s) Receiving Gambling Winnings, before receiving the prize.

*Withholding rates may change, and special rules apply to withholding for non-cash prizes, so all withholding rates should be verified with the Finance office/Controller at the time of withholding.

**Employees – All cash, gift certificates, gift cards and other cash equivalents, and all non-cash items valued at $75 or more, awarded to an employee where a ticket purchase is not required are reported on the employee’s Form W-2. All cash and non-cash items awarded to an employee where a ticket purchase is required are reported on Form W-2G in accordance with the rules set forth in these tables.

**Table No. 2 -- Reporting and Withholding Requirements for Raffles, Door Prizes, Lotteries and Other Drawings (No Ticket Purchase Required)**

<table>
<thead>
<tr>
<th>PRIZE VALUE</th>
<th>UNIVERSITY’S REPORTING OBLIGATIONS</th>
<th>UNIVERSITY’S REGULAR WITHHOLDING OBLIGATIONS</th>
<th>UNIVERSITY’S BACKUP WITHHOLDING OBLIGATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$599 or less</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>$600 - $5,000</td>
<td>File Form 1099-Misc</td>
<td>None</td>
<td>Withhold 28% if no valid Social Security Number</td>
</tr>
<tr>
<td>$5,001 or more</td>
<td>File Form 1099-Misc</td>
<td>None</td>
<td>Withhold 28% if no valid Social Security Number</td>
</tr>
</tbody>
</table>
Games of Chance

• **Raffles:**
  o **Misconception**
    • “We are only giving away *door* prizes; we aren’t conducting a raffle.”
      – If people are being charged to attend a function where (door) prizes will be awarded through a drawing, then you are conducting a raffle.
Games of Skill

- Guessing # of marbles in a fishbowl
- Closest to pin putting contest
- Not considered games of chance.
Gifts in Kind

- Gifts-in-Kind
  - Do you have a policy?
  - Donated assets and property such as art, books, equipment, automobiles, inventory, personal property, other physical assets.
  - Donors must provide the value of the gift-in-kind.
  - No proven value from donor, gift entered with a $1 value.
  - No values for gifts-in-kind shall appear in acknowledgment letters or receipts as the university does not want to be perceived as an appraiser of gifts-in-kind.
  - Can you use GIK before it is officially “accepted”?
  - Do you have a good Gift-in-Kind form?
Gifts in Kind

- **$5,000 and up**
  - A qualified and timely appraisal must accompany the gift.
  - Who approves? A gift review committee:
    - VC Finance and Administration
    - General Counsel
    - VC for Advancement

- **Artwork from the Artist**
  - Donor can deduct cost of materials only
  - Can give recognition credit for FMV
# Sample Gift-in-Kind Review Form

## UNCG GIFT-IN-KIND REVIEW FORM

### Entity Information

| UNCG | Excellence Foundation | Weatherspoon Art Museum |

### Department Information

- **Department:**
- **Contact Person:**
- **Phone:**

### Donor Information

- **Owner/Donor:**
- **Contact Person (if applicable):**
- **Address:**

### Gift Information

- **Date Received:**
- **Gift Designation/Fund:**
- **Gift description (include date, model, serial #, brand name, etc.):**
- **Purpose or intended use:**
- **Gift of new equipment: Y or N**
- **Gift of new software: Y**
- **Educational Discount Value:**
- **Has the university taken possession of this gift? Y or N**
- **Date possession was taken:**
- **Can gift be retained by UNCG? Y or N**
- **If Yes, will it appreciate in value? Y or N**
- **Appraisal:**
- **Appraisal Date:**
- **Additional costs (installation, insurance, maintenance, etc.):**

- **Has Facilities Operations been consulted regarding the housing of this equipment and possible safety issues to students, etc.? Y or N**
- **Comments:**

- **Potential liability for university:**

- **Percent of ownership being donated:**

- **Were goods and services provided by UNCG for this gift? Y or N. If Yes, describe:**

- **Names and addresses of other donors:**

### Gift Documentation

- **Donor's estimated value:**
  - **Donor provided (attach copies):**
  - **Receipt:**
  - **Invoice:**
  - **Donor Provided Notice:**

**Donor can have a copy of this form. An official receipt describing the item(s) donated but listing no monetary value will be issued to the donor by Advancement Services.**

**Signatures of university representative:**

**Signatures of donor (if possible):**

**UPON COMPLETION, SEND TO:**

**ADVANCEMENT OPERATIONS**

**CALL 236-334-6842 WITH QUESTIONS**

**3/20/18**

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*The legal gift valuation for a gift-in-kind is the fair market value (FMV) regardless of the value the donor is taking the gift-in-kind may be able to take as a charitable deduction. Gifts-in-kind with a FMV over $5,000 should be counted at the value placed on them by qualified independent appraisers as required by the IRS. However, if a corporation (ex. IBM) donates its own inventory or other property, then it is responsible for substantiating the FMV of the gift-in-kind and an independent appraisal is not required. Gifts-in-kind with a FMV of $5,000 or less may be reported at the value declared by the donor. Sales tax should not be included in the gift-in-kind value. A donor should consult a tax advisor to understand the deductibility of gifts-in-kind and when to submit IRS Form 8283 for noncash charitable contributions with their tax return.*
Gifts in Kind

- **IRS Requirements**
  - For GIK’s of $500 and up, donor needs to complete IRS Form 8283
  - For GIK’s of $5,000 and up, donor needs UNCG to sign form 8283

- **If UNCG sells or disposes of a GIK, IRS needs to know**
  - IRS Form 8282
    - GIK’s of $5,000 and up
    - Disposed of within 2 years of gift date
    - UNCG’s responsibility
Real Estate

• FOLLOW YOUR POLICY
• There should be no mortgage on property
• Donor should agree to cover taxes, assessments, maintenance, etc until property is sold.
• Office of Risk Management needs to be kept in the loop.
• Office of Risk Management will review for environmental hazards.
• Real estate should be accompanied by a title commitment.
• Real estate should be made by warranty deed
• Donor must provide qualified appraisal
Gifts of Services

- Not a countable or deductible gift.
- Pay the donor for their services and have them write you a check in return.
- If materials and services are given, we need documentation that splits out the materials separately.
Gift Certificates

- For permanent ownership of a tangible item
  - TV’s, gift basket, etc. – value of certificate can be recorded as a gift-in-kind

- For non-tangible items
  - Services, dinners, rounds of golf, hotel stays, spa treatments, etc. – value of certificates are NOT gifts-in-kind UNLESS the certificate can be redeemed for cash by the original grantor, then the certificate can be counted as a GIK for the cash-redemption value.
  - NOTE: While these types of gifts do not qualify as GIK’s, we can enter a $1 “recognition only” gift.
Combined Check from Multiple Donors

- **Example 1:** An institution received a $600 check (part gift) from one person for a foursome for a golf outing. Check writer requested 4 gift receipts, one to each member of the foursome because they were to reimburse the check writer.
  - *Unfortunately, check writer is the donor.*
Combined Check from Multiple Donors

- Example 2 (recent listserv word-for-word conversation): An institution had an event hosted by three alums and were to split the cost between each of them. Each were supposed to submit receipts to the institution for gift-in-kind (out of pocket) receipt. However, one host paid for the entire event and the other two reimbursed that person and wanted gift receipts also.
  - Bad, bad, bad. This is exactly why you should NEVER let these folk pay the expenses. The College should always pay the expenses directly to the vendors and if the hosts want to reimburse you, great! So, you could in fact reimburse the one host and then let them all write you a check if they want to - can't make it mandatory. Otherwise, you only have one donor.

- This is called “Credit to Last Entity”
  - If possible and if you know, encourage donors to give separately.
Securities

- Have donors contact their broker to have securities transferred
  - Electronically
    - Best alternative - quicker and safer
    - Contact Advancement Operations for detailed instructions
Securities

Inform Advancement Operations, in writing:

- the donor name
- the name of the securities being transferred (if known)
- the number of shares being transferred (if known)
- the approximate value of the gift (if known)
- where the gift is to be designated
- the approximate day the shares will be transferred

BECAUSE

- Broker does not always know who transferred the securities
- Some brokers are not allowed to share that info even if they did know
- If we do not know who made the gift, investigation takes place and the only way we can record the gift is to process it as an “anonymous” gift
Partial Interests in Property

- Generally, a donor cannot deduct a contribution of less than their entire interest in the property.
  - **Example:** Donor owns an office building – donates the use of a suite to a charitable organization.
    - Not deductible, not countable.
  - **Example:** Donor owns a vacation home, donated the right to use home for 1 week at a fundraising auction. Winning bidder paid the FMV of 1 weeks rental.
    - Not a gift by property owner
    - payment by bidder not a gift because benefit received equal to FMV.
Agency Funds

- Agency funds are funds held or generated for reimbursement of specific expenditures for activities such as:
  - student groups/organizations
  - study abroad programs
  - field trips
  - other “flow – through” activities.

- The university acts as a custodian or fiscal agent on behalf of the owner of the fund.
  - The university does this as a favor for the group/organization
  - The owner generally is not a legal entity with its own federal tax ID
  - Even if it has its own federal tax ID, is the entity allowed to receive tax deductible gifts

- Transactions to Agency funds are not gifts to the university.
Corporate Sponsorships vs. Advertising

- Corporations often give money to sponsor activities, events, or projects and in return receive recognition on campus or at the event.
- Most sponsorship dollars are gifts as long as the recognition received does not constitute advertising.
- The IRS defines advertising as competitive pricing or product information displayed because of the donation.
- The recognition for a sponsor should be limited to:
  - Sponsors location, telephone number, internet address
  - Value-neutral description of sponsor’s products or services
  - Sponsor’s brand/trade name or product/service listings
Contributions vs. Contracts (exchange tx’s)

- Some contracts may appear to be much like contributions therefore a careful assessment of the contract is needed to determine if UNCG has given up an asset or incurred a liability (of commensurate value).
### Contributions vs. Contracts (exchange tx’s)

Factors to aid in distinguishing between contributions and exchange transactions:

- No one factor will provide sufficient information for appropriate classification.

From NACUBO (National Association of College / University Business Officers):

<table>
<thead>
<tr>
<th>Factor / Question</th>
<th>Answer is Yes</th>
<th>Answer is No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do funds provide goods/services for a program of the resource provider?</td>
<td>ET</td>
<td></td>
</tr>
<tr>
<td>Did the initiative for the project come from the organization providing the funds?</td>
<td>ET</td>
<td>C</td>
</tr>
<tr>
<td>Do proprietary results belong to the funding organization, in whole or in part, after the work is completed?</td>
<td>ET</td>
<td>C</td>
</tr>
<tr>
<td>Do the results of the work have specific commercial value for the resource provider?</td>
<td>ET</td>
<td>C</td>
</tr>
<tr>
<td>Does the resource provider sponsor research and development activities and retain patents, copyrights, advance and exclusive knowledge of outcomes?</td>
<td>ET</td>
<td></td>
</tr>
<tr>
<td>Does payment support the direct/immediate need of government or organization that provides funding?</td>
<td>ET</td>
<td></td>
</tr>
<tr>
<td>Are benefits to the resource provider primary and public benefits are secondary?</td>
<td>ET</td>
<td></td>
</tr>
<tr>
<td>Does the resource provider define performance objectives such as a detailed report and a timetable for meeting objectives?</td>
<td>ET</td>
<td>C</td>
</tr>
<tr>
<td>Is the time and place for delivery of results specified?</td>
<td>ET</td>
<td>C</td>
</tr>
<tr>
<td>Does the contract fulfill a service as prescribed by the resource provider?</td>
<td>ET</td>
<td></td>
</tr>
<tr>
<td>Did the recipient give up benefits of the research to the resource provider?</td>
<td>ET</td>
<td></td>
</tr>
<tr>
<td>Will the recipient pay economic/punitive penalties for failure to meet agreement?</td>
<td>ET</td>
<td></td>
</tr>
<tr>
<td>Does the resource provider receive commensurate value in return for support?</td>
<td>ET</td>
<td>C</td>
</tr>
<tr>
<td>Does the recipient determine ownership of the products of the research?</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Does the recipient hold unconditional rights to receive the funds?</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Does the recipient retain control and ownership of any work completed after completion of the project?</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Are the funds used to carry out an already existing program of the recipient organization?</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Does the recipient participate actively in determining how the funds will be spent?</td>
<td>C</td>
<td></td>
</tr>
</tbody>
</table>
Scholarship Gifts

- No gift when a donor chooses the recipient.
- Discourage donors involvement in the selection process. UNCG will make final decision on all awards.
- When UNCG chooses the student, it is a gift but the donor still should not list the student’s name on gift documents.
Important Note

• All information on IRS and/or tax issues contained in this presentation are one entity’s interpretations of IRS rulings and legal documents. All other institutions must discuss these issues with their own counsel and finance experts as UNCG does not provide legal and/or tax advice to donors or other entities.
Association of Advancement Services Professionals (AASP)

- AASP is the authority in the advancement services profession
- Serves the nonprofit community with leadership and passion
- Membership is open for newcomers to the profession as well as individuals who have established careers in advancement services across the full spectrum of nonprofit organizations.
- Access to best practice documents
More Information

- Association of Advancement Services Professionals (AASP)
  - Manages “FundSvcs” which is the location to join active community discussion on the topics you deal with in your work as an advancement services or advancement professional.
More Information

- **IRS Publication 526 – Charitable Contributions**
- **IRS Publication 1771 – Substantiation and Disclosure Requirements**
Thank You!