



Fundraising Event Policies

Guidelines for Quid Pro Quo Donations

Generally, if a donor gets something in exchange for their gift (quid pro quo), all or a portion of their gift is not tax deductible. It is very important that we receipt these properly.

We don't want to cause trouble for the donor if his charitable contributions are audited and the "gift" is found to not be tax deductible by the IRS.

OM USA also takes very seriously its responsibility to comply with all applicable laws. Please help us do that by taking these policies into account when you are planning your event.

In addition, OM is subject to a penalty of \$10 per contribution, up to a max of \$5000 per event or mailing, for not properly meeting the written disclosure requirements.

In all cases, please communicate your plans with the OM USA Finance department PRIOR to the event so that we are prepared to handle the gifts and payments correctly.

If you have any questions during the planning of your event, please let us know. We are happy to help you design this aspect of your event so it is successful and legally compliant. You can contact the OM USA Finance department at finance.us@om.org or calling 770-692-5145.

After the event – Within 3-5 business days of the event, please turn in all funds to the OM USA Finance department. Make sure the payments are clearly marked so we can tell what event the funds are from, and what amounts are for sponsorships, auction purchase, registration fees, charitable donation, etc. We will send a receipt for each payment if we have the name and address of the household. The receipt will show whether the payment is tax deductible or not.

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In Asking Companies to “Sponsor” an Event –

Sponsorships can easily fall into the category of “advertising”, which is not OM’s business and is not an acceptable activity for our ministries. Below is a list of actions that are permissible as sponsorships, and a list of things to avoid.

Acceptable Actions:

1. Listing the name or logo or product line of a sponsor
2. Awarding exclusive sponsorship award (via industry, for example one to airline and one to hotel)
3. Providing logos or slogans that do not contain any qualitative language or comparative description of the products
4. Listing the payer’s locations, addresses, phone numbers, internet addresses
5. Providing value-neutral descriptions of the sponsor’s product display
6. Listing sponsor’s brands or trade names

Do not do:

1. Advertising
2. Designating a sponsor as an exclusive provider
3. Providing facilities, services or other privileges to the sponsor unless they are of “insubstantial value”
4. Granting of either exclusive or non-exclusive rights to use the sponsor’s intangible asset (name or logo)

Example - A church holds a banquet to raise funds for missions and offers table sponsorships. In exchange for a contribution of \$500 per table, the church will place the name of a sponsor, generally a business, on the sponsored table and in the banquet brochure. The sponsorship meets the qualified sponsorship payment criteria. If the sponsor is a business, no receipt is generally required since most business claim sponsorship payments as a business expense and not as a charitable contribution. But a letter of appreciation should be sent to the company to document their payment. If the sponsor is an individual, non-business donor, a charitable receipt should generally be provided if the charity selected the individuals to sit at the sponsored table.

Banquets –

If participants are required to buy a ticket to attend, then we cannot give them a tax deductible receipt for the full amount of the ticket. Only the portion of the cost that is above the fair market value (not the cost) of the meal is tax deductible. The fair market value of the meal is the price a person would pay for a comparable meal at a restaurant.

Example – If we invite people to attend the banquet without charge and invite them to make a contribution after the dinner, the full amount of the contribution is tax deductible because of indirect link between meal and gift. The donation is optional and is not in payment for the meal.

Example – If we sell tickets for \$50 and the fair market value of the meal is \$15, we can only give a tax deduction for \$35.

Example – We sell a table for \$500 that seats 8. The fair market value of the meal is \$15/person and the person who buys the table invites the others at the table. The donor will receive a tax deduction for only \$280 (8 times \$35). The rest of the amount (\$220) is payment for the meal.

Example - A donor may purchase a table for \$500 and ask the ministry to assign guests to the table. If a donor does not assign the guests for a table, the donation is not considered quid pro quo. The donor will receive a tax deductible receipt for the full \$500, this is more like a sponsorship. The donor might make a recommendation as to who will receive the banquet tickets. However, for the contribution to be tax deductible the ministry must make the final decision and the suggested individuals should be potential contributors, volunteers, board members, etc.

Donated goods or services -

A ministry may include an auction, drawings, or door prizes at its banquet. (For auctions, see more complete information below). Such activities often use donated goods or services to give to the winners. Goods donated by individuals or businesses are considered charitable contributions.

The donation of services does not qualify as a charitable contribution. While the charity may express appreciation to the donor of services, a charitable receipt should not be provided.

OM USA will provide a receipt (Gift in Kind letter) for goods donated. The organizer of the event should complete the Gift in Kind form and submit it to the Finance department, who will issue the GIK letter.

Example #1: An individual donates products he purchased for a banquet. OM USA will issue an acknowledgment describing the goods donated and the condition of the items, the date of the donation, but without indicating a value of the donated items. (If the items donated were made by the donor, such as a quilt, the tax deduction would only be the donor's basis (cost) in the items.)

Example #2: A motel donates a weekend stay at the motel for an auction with a fair market value of \$300. We can express appreciation to the motel but should not issue a receipt showing the \$300 fair market value. This is a gift-in-kind that includes services. The acknowledgment provided to the motel should simply describe the gift of the weekend stay without stating a value. (This would be subject to the qualified sponsorship issues described above.)

Door prizes at banquet – An event may include a door prize drawing or similar give-away. Prizes are typically donated goods or services. OM USA is required by the IRS to submit a 1099-MISC for the recipient if the fair market value of the prize is \$600 or more.

Example: A fundraising banquet attendee wins a door prize trip to Hawaii valued at \$4,000. We must file a form 1099-MISC reporting the value of the trip in Box 3, Other Income and send Copy B to the winner. In this case, the organizer to the event must communicate the name, address, phone number and email of the recipient to the OM USA Finance department within 2 business days of the event.

Events with a Paid Admission or Registration Fee or Suggested Donation

Where an event is advertised with an admission fee or registration fee, the payment is not a tax deductible contribution. The participant is receiving a good or service in exchange for the fee.

If the participant pays the fee and adds an additional amount as a donation, the amount of the donation needs to be clearly stated on the check or in a note with the payment.

Auctions of donated goods or services -

When an individual purchases an item at an auction, there is generally no charitable deduction available. It is assumed that the person is paying fair market value for the item. So the transaction is just a purchase, there is no charitable contribution deduction.

However, the quid pro quo rules may come into effect if the individual pays significantly more for the item than its fair market value (for example, 10% more than the fair market value). For payments of over \$75 by the donor-purchaser, we are obligated to advise donor-purchasers of the estimated fair market value of items so that they can claim the excess as a deduction.

We will send a receipt to the donor for the total amount paid for the item, but only a portion of the amount may be tax deductible.

In order for any of the amount to be tax deductible, the donor must know **prior to the auction** what the fair market value of the item is. This must be demonstrated by publishing a list or catalog of the items for sale with their fair market value clearly labeled. Then if the purchaser bids more than the fair market value, they are knowingly making a tax deductible contribution to the ministry.

This document should also be sent to the OM USA Finance department prior to the event.

When the funds are turned in to the Finance department to be processed, they should be accompanied by a list including the purchaser and the purchase price of each item.

Example: A live auction is included with a banquet. A donor purchases a pair of professional football tickets with a face value of \$200 total for \$350. We will issue a receipt for the purchase price of \$350. \$200 will be shown as a non-tax deductible purchase and \$150 will be considered a charitable contribution for the donor-purchaser.