

# Understanding Tax-Deductible Donations for Public School Sports Fundraisers

## **What Makes a Donation or purchase Tax-Deductible?**

For a donation to be tax-deductible, it must be made to or **for** a government organization or subdivision thereof as defined under Internal Revenue Code (IRC) 501(c)(1), or a tax-exempt organization as defined by IRC 501(c)(3). Therefore, because public schools are subdivisions of a government organization, donations made to or **for** a public school qualify as tax-deductible Charitable Contributions. Likewise, donations made to or for a private school or other non-governmental organization that is tax exempt under Section 501(c)(3), also qualify as tax-deductible Charitable Contributions.

Additionally, when fundraising efforts include purchasing items, such as pretzels or popcorn, the total amount may include a portion that is considered a donation. For example, if the fair value of the item is \$15 but the purchase price is \$25, the excess \$10 is considered a Charitable Contribution and is tax deductible.

## **How are fundraising companies able to say they are tax-deductible?**

Fundraising companies generally act as agents for their clients performing services such as campaign coordination, advertising and payment processing. Fundraising companies ensure that funds raised, less fees and expenses agreed upon, go directly to a public school or a 501(c)(3) organization to guarantee tax deductions for donors.

To ensure that the agency relationship is maintained, the fundraiser should have an executed contract with the public school or non-profit organization. In addition, all disbursements must be made to that entity.

## **Applicable LAW**

### **IRC 501(c) List of exempt organizations**

The following organizations are referred to in subsection (a):

(1) Any corporation organized under Act of Congress which is an instrumentality of the United States but only if such corporation-

(A) is exempt from Federal income taxes-

(i) under such Act as amended and supplemented before July 18, 1984, or

(ii) under this title without regard to any provision of law which is not contained in this title and which is not contained in a revenue Act, or

(B) is described in subsection (l).

(2) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section. Rules similar to the rules of subparagraph (G) of paragraph (25) shall apply for purposes of this paragraph.

(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

### **IRC 170 (c) Charitable contribution defined**

For purposes of this section, the term "charitable contribution" means a contribution or gift to or for the use of-

(1) A State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

(2) A corporation, trust, or community chest, fund, or foundation-

(A) created or organized in the United States or in any possession thereof, or under the law of the United States, any State, the District of Columbia, or any possession of the United States;

(B) organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals;

(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual; and

(D) which is not disqualified for tax exemption under section 501(c)(3) by reason of attempting to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

**§ 1.170A-1 Charitable, etc., contributions and gifts; allowance of deduction.**

(h) Payment in exchange for consideration —

(1) Burden on taxpayer to show that all or part of payment is a charitable contribution or gift. No part of a payment that a taxpayer makes to or for the use of an organization described in section 170(c) that is in consideration for (as defined in [paragraph \(h\)\(4\)\(i\)](#) of this section) goods or services (as defined in [paragraph \(h\)\(4\)\(ii\)](#) of this section) is a contribution or gift within the meaning of section 170(c) unless the taxpayer—

(i) Intends to make a payment in an amount that exceeds the fair market value of the goods or services; and

(ii) Makes a payment in an amount that exceeds the fair market value of the goods or services.

(2) Limitation on amount deductible —

(i) In general. The charitable contribution deduction under section 170(a) for a payment a taxpayer makes partly in consideration for goods or services may not exceed the excess of—

(A) The amount of any cash paid and the fair market value of any property (other than cash) transferred by the taxpayer to an organization described in section 170(c); over

(B) The fair market value of the goods or services received or expected to be received in return.