

TAX EXEMPT WORDING ON APPEALS AND ACKNOWLEDGEMENTS

Relates to:

- thank you letters/donation acknowledgements
- membership forms
- appeals for donations
- event registration forms

Under present law, a 501(c)(3) organization must affirmatively disclose to all payors/donors who get anything of value back from of making a gift payment, that the value returned must be subtracted from the payment in computing the tax-deductible portion of their gift. Also, in that affirmative statement, must be included a "good faith" estimate of the value of the benefit returned...even if TACF obtained those items at no cost. <http://www.irs.gov/pub/irs-pdf/p1771.pdf>

APPEALS

On the brochure and any membership forms (Bark, Journal, web site): "TACF is a 501(c)3 non-profit organization. The non-deductible membership services portion of your TACF membership is \$15." See fair market value note at end of this document if any gifts or benefits are added beyond membership publications.

On campaign appeals (where membership, gifts, or event registration is not involved): "TACF is a 501(c)3 non-profit organization. Your donation is tax deductible as allowed by law." Note: See fair market value note at end of this document if any gifts or benefits are given in exchange for donations.

Annual Meeting Registration fees: Registration fees are not tax deductible (there is no difference between the fair market value and the registration fee).

Other Event Registration Fees: see note at the end of this document for calculating the fair Market value and model after the membership solicitation example.

ACKNOWLEDGEMENTS

On thank you letters not related to membership dues: "This letter serves as your receipt for your donation of \$XXXX, check number, check date. No goods or services were provided in exchange for your donation." Note: see fair market value note at end of this document if any gifts or benefits are added.

For membership thank you letters: "This letter serves as your receipt for your donation of \$XXXX, check number, check date. \$15 is the subscription price to the Bark and the Journal and is not tax deductible as a charitable contribution."

See fair market value note at end of this document if any gifts or benefits are added.

Annual Meeting Registrations: Registration fees are not tax deductible (there is no difference between the fair market value and the registration fee).

Other Event Registration Fees: see note at the end of this document for calculating the fair Market value and follow the membership thank you model.

Note to calculate fair market value:

Legal regulations state that donors may only claim a charitable contribution as an income tax deduction when there is nothing of value received in return. When there is some kind of thank you gift or event, the **tax deductible amount** is that which is left after taking into consideration the value of the gift or event.

First you must determine what the IRS calls the “fair market value” of the event itself, which is normally less than the ticket price.

There are several methods for calculating this. One of the most frequently used is comparison. Consider what the cost would be for a similar event if it were not a fundraiser. For example, if a person were to purchase a similar meal at a restaurant of similar status, what would be an average price that they would pay? For example, you might determine that a semi-formal dinner may have a fair market value of \$20 on a \$50 ticket. In this case the tax deductible portion is \$30. By using this comparison method, you are in essence taking into consideration the expenses of your event, but also putting those expenses in perspective.

The key point is that the organization is making a **fair judgment** in an ethical manner and not trying to overinflate the tax deductible amount. As long as TACF decides these amounts within a spirit of honesty and common sense, we should be fine.