

How To Properly Handle Fundraising Auctions

Q: Our church is considering a fundraising auction. What is the proper way to receipt donors who provide items for the auction, and can we provide contribution receipts for auction winners?

A: A fundraising auction can be a successful way for a church to raise funds. Items and services will be donated to the church, and the highest bidder will make a payment to the church and receive an item of value in return. Those who donate items for the auction, and those who win the auction, may be eligible for a charitable contribution receipt. However, there are several key points to consider before providing those receipts.

For those who donate items to be auctioned off:

1. For any item that the donor values up to \$5,000, provide a written receipt acknowledging the gift and include a description of the gift. You should not try to determine the actual value of the gift. The receipt should include (1) name and address of the church; (2) date and location of contribution; (3) detailed description of property donated; and (4) the written acknowledgment must be received by the donor on or before the earlier of the following two dates: the date the donor files a tax return claiming the deduction, or the due date for filing the return.
2. For any item that the donor values at \$5,000 or more, in addition to step 1 above, a donor must obtain a qualified appraisal of the donated property from a qualified appraiser and complete a qualified appraisal summary (Section B of Form 8283) and have the summary signed by the appraiser and a church representative. The completed Form 8283 is then enclosed with the donor's Form 1040 on which the charitable contribution deduction is claimed.
3. If someone donates rent-free use of a building or vacation home, there are special considerations since ownership doesn't transfer to the church. In some cases, the donation may not be eligible as a charitable donation. See IRS Publication 526 for further help.
4. If the items donated include cars, boats or planes, special rules apply and the church may need to notify the donor of the selling price. Further, the church may need to file form 1098-C with the IRS.

For those who purchase items at the auction:

1. In general terms, to substantiate an individual charitable contribution of \$250 or more, a donor must obtain a receipt from the charity that states no goods or services were provided in exchange for the contribution (other than intangible religious benefits).

Continued on next page...

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2. However, a fundraising auction would qualify as a quid pro quo transaction. For quid pro quo transactions over \$75, the church should provide a receipt with a description and good faith estimate of the value of those goods and services provided. The good faith estimate should represent an estimate of the fair market value of the goods or services provided. The church can use any reasonable method to make the good faith estimate. The receipt should also state that the amount of the contribution that is tax-deductible is limited to the excess of the amount of cash contributed by the donor over the value of any goods or services provided by the church.
3. If the value of the goods or services provided are insubstantial, token gifts, or “de minimis”, the church doesn’t have to state that goods were provided in exchange for the donation. The church can provide a receipt for the full donation and state that no goods or services were received in exchange for the donation. For 2012, the IRS has defined token gifts and insubstantial goods and services as follows:
 - Token gifts are items such as bookmarks, calendars, key chains, mugs, posters, or T-shirts bearing the charity’s name or logo and having a cost (as opposed to fair market value) of less than \$9.90. Additionally, for these types of items, the cash contribution must be \$49.50 or more.
 - Insubstantial goods or services provided to the donor with a value that doesn't exceed the lesser of \$99 or 2 percent of the amount of the contribution.

Note that the \$99, \$49.50 and \$9.90 amounts are adjusted annually for inflation and represent the 2012 amounts.

The points provided above are just a summary of the IRS’s rules on charitable contributions. For further help, you may want to consult a local tax accountant. Additionally, Richard Hammar’s annual *Church and Clergy Tax Guide* is a helpful resource and provides detailed information about contribution reporting requirements and contains several examples on fundraising auctions.