

University of Nebraska Guidelines  
Regarding Required Substantiation of Gifts  
(Rev. Sept. 1994)

The Internal Revenue Service requires charitable organizations to provide donors with certain information necessary to accurately report charitable deductions on their federal income tax returns. If the information required by the IRS is not provided to the donor, the donor is at risk of losing the deduction, and the University may be subjected to penalties.

Although a donor will usually be an individual taxpayer, it may be any entity seeking a charitable deduction for income tax purposes. The notice information required by this policy should be provided to all such donors, including corporations.

These guidelines are published in order to provide assistance to and uniformity of compliance within the campuses of the University of Nebraska, the University of Nebraska Foundation, and other entities or bodies (e.g. colleges and departments, booster groups, friends of the arts, etc.) receiving charitable gifts for the benefit of the University of Nebraska.

These guidelines apply to gifts made after December 31, 1993 consisting of: (1) cash or property valued at \$250 or more; or (2) "quid pro quo contributions" of more than \$75. A quid pro quo contribution is a payment combining both a charitable donation and consideration for goods or services, such as a payment for a charity dinner, part of which is donation and part of which is payment for the dinner. These guidelines require that a donor receive a dated written receipt acknowledging the gift and containing the information specified in this policy for any gift described in this paragraph. Although the receipt can be in any form (e.g. postcard or computer generated letter), it should be provided to the donor as close to the time of the donation as is practically possible. It is certainly appropriate to incorporate the receipt as part of the University's customary "thank you" letters.

#### Gifts of Cash or Property of \$250 or More

For every gift of cash or property valued at \$250 or more, the donor shall receive a dated written receipt for the donation. If the donation consists of property, it is not necessary for the receipt to reflect the value of the property; however, the property received should be described on the receipt. The receipt must also contain a statement declaring whether or not the donor has received any good or service in return for the gift. The following statement will meet IRS requirements when the donor receives nothing in connection with this kind of donation:

The value of benefits received by a donor in connection with a gift reduces the amount the donor may take as a charitable deduction for federal income tax purposes. Under IRS guidelines, the estimated value of the benefits you have received, if any, in consideration of your gift is not substantial and, therefore, will not affect the deductible amount of your gift as a charitable contribution.

If the donor has received something in exchange for the gift, the receipt shall provide the same information set forth in the "quid pro quo" requirements set forth below.

#### Quid Pro Quo Gifts

Donors sending the University more than \$75 for any single quid pro quo gift must receive an acknowledgment:

- a. telling the donor that the amount deductible for federal income tax purposes is limited to the excess of the value of the contribution over the value of the goods or services received by the donor; and

- b. providing a good faith estimate of the fair market value of the goods or services received by the donor.

The following statement may be used to meet this requirement:

In accordance with Section 6115 of the Internal Revenue Code, the amount of your contribution that is deductible for federal income tax purposes must be reduced by the value of any benefits which you have received in consideration for your contribution.

A description of these benefits is provided below:

Benefits received:                   (brief description)

Value of benefits:                 \$ \_\_\_\_\_ \*

\*The amount of your contribution less the value of the benefits received will be fully deductible as a charitable contribution unless otherwise reduced by other applicable rules and regulations of the Internal Revenue Service.

#### Exception for De Minimis Donor Benefits

If the benefit received by the donor is merely a token gift, the acknowledgement should include the same statement set forth above in "Gifts of Cash or Property of \$250 or More".

The following token benefits qualify for this exception:

- a. any item valued at the lesser of 2% of the donor's gift or \$62; or
- b. any item costing the University less than \$6.20, bearing the University's name or logo(s), if the donor's contribution is \$31 or more.

The reason the dollar values for these definitions are not round numbers is that on occasion the IRS adjusts these values upward to reflect inflation. The values above reflect the permitted token gifts as of the date of this policy. University organizations engaging in the giving of token benefits should keep informed of these inflation adjustments.

#### Athletic Departments and the 80/20 Rule

If an athletic department requires a donation prior to granting the ability to purchase sporting event tickets, only 80% of that donation is deductible for federal income tax purposes. The 80/20 rule should be applied in addition to these substantiation guidelines. Therefore, in addition to the 20% reduction attributed to the value of the right to purchase tickets, benefits other than de minimis benefits will also reduce the deductible portion of the contribution. For example, if a donor gives \$500 for the privilege to purchase four football tickets, the deductible portion of that contribution is \$400 (80% of \$500). If the donor also receives free parking for football games, the charitable deduction will be further reduced by the fair market value of the parking (e.g. 6 games x \$5 = \$30).

#### Donations Paid in Installments

Sometimes a donor will pledge to pay a donation over a period of time and receive benefits prior to the time the pledge is completely paid. For example, someone might pledge \$1000 paid in equal monthly

installments over September through December and receive a variety of benefits from the athletic department during the football season. In addition to the information otherwise required above, the donor should be provided with a receipt for each installment including a notice that in recognition of the entire pledge the benefits with a certain value will be provided. As soon as practicable following the end of each calendar year, the donor should be provided an annual summary of all pledge payments made and the value of all donor benefits received by the donor in connection with the pledge.

#### Miscellaneous Items

Wherever these guidelines require reporting to the donor, it shall be the duty of the organization receiving and assuming permanent possession of the donation to comply with the reporting requirement. For example, if the Foundation receives a gift to be used for the benefit of the athletic department, it shall be the Foundation's responsibility to provide the required information to the donor. In order to avoid mistakes and facilitate planning, groups providing benefits to donors (for example, parking, food, logo items, event tickets) should contact the organization or office charged with providing the donor's receipt prior to any fundraising or similar event. While it is recognized that certain premiums and other benefits may play a crucial role in fundraising, because of the complicated nature of complying with these acknowledgement rules, this policy discourages the use of donor premiums and other benefits without thoughtful consideration of their merit in connection with the fundraising effort.

These guidelines apply only to true charitable donations and not to payments which are actually a payment for goods or services. For example, if a transfer of money is made with the understanding that it is to be applied to a certain individual's medical bills or tuition, then the transfer is a payment for services, not a charitable contribution.

These guidelines also apply to donations made to the University by employees of the University. For example, a professor may make a personal donation or assignment of the income from a seminar or other presentation to a development fund within the University or at the Foundation. These amounts are considered donations no different from other donations, and the donating employee should receive a receipt with the information required by these guidelines.

Sometimes donors do not wish to accept benefits normally accompanying their giving level. Unless the donor indicates in writing that no benefits are desired at the time the donation or pledge is made, the "quid pro quo" rules are to be applied.