Determining if a Donation is Tax Deductible

A donor may give a gift to your Lake Norman Lightning (LNL) fundraiser one of two ways. The simplest way is to give an outright gift while receiving absolutely no goods or services in exchange for that gift. This means that the individual is not playing golf or receiving any other benefit from the gift. In this case you should use Form 1 when issuing a receipt.

When a donor does receive goods and/or services, the person issuing the receipt must deduct the market value of those goods and/or services from the tax-deductible receipt. For example, if the fair market value costs $60 to play golf and the donor pays $100 to enter, then the donor is entitled to receive a receipt for a $40 donation. Also if the fair market value is $60 to play golf and $30 meal is provided, then a receipt for $10 should be issued. In these cases you should use Form 2 when issuing a receipt.

As you hold fund raising events such as car washes, raffles, and golf tournaments you may be asked by those donating to your cause if their contributions are tax-deductible. If you are going to promote tax deductibility during your fund-raisers, it is your responsibility to inform contributors of the following information. You must state clearly exactly how much of a contribution will be considered deductible on any printed materials you produce (tickets, flyers, etc.) Also, you should always have a receipt book at any fundraising event.

*A contributor cannot receive in return any item, service (car wash, lawn mowing, etc.), or privilege(admittance to theater, concert, golf course) which has a fair market value that is equals or exceeds the amount or value of the donation, the individual's gift will not be eligible for deductible treatment.

Example 1: You solicit a local business for a contribution. You impress a local business owner and he contributes $50 to LNL on your behalf. He asks if his contribution is tax deductible. How do you answer? The full $50 is deductible. (Use Form 1)

Example 2: You are sponsoring a free car wash on behalf of LNL. You are not charging any type of fee per wash, but you are accepting donations from patrons. The donations range anywhere from $1 - $20. One patron asks you if his $15 donation is tax deductible. How do you answer? The fair market value of a car wash is around $5. Any donation received that is $5 or less is not deductible, but any donation greater that $5 will be partly deductible (the donation amount minus the fair market value), so your patron has made a $10 tax deductible gift to LNL. (Use Form 2)

Example 3: You are sponsoring a raffle to raise funds for LNL. Each ticket sells for $2 for a chance to win a $500 stereo system. A buyer asks if her $2 is tax deductible. How do you answer?
Even though the payment is a contribution to LNL no part of the payment is deductible as a charitable contribution. Amounts paid for chances to participate is raffles, lotteries, or similar drawings are not gifts and therefore not deductible.

Lake Norman Lightning
300 Greenbay Rd
Mooresville, NC 28117
http://www.lakenormanlightning.org
501(c)(3) Non-profit organization
TAX ID# 80-0838412

LNL RECEIPT – NO GOODS AND/OR SERVICES RECEIVED BY DONOR

DATE: ______________________ Receipt #: ______________________

This receipt is to certify that ______________________________
Donor

made a charitable contribution to Lake Norman Lightning in the amount of $ ______________

This donation was received by ______________________________
Received By

____
Received By (Signature)

The donor did not receive any goods or services in exchange for the above donation, and 100% of the donation is tax exempt.

LNL RECORD – NO GOODS AND/OR SERVICES RECEIVED BY DONOR

DATE: ______________________________

RECEIPT #: ______________________________

NAME: ______________________________

AMOUNT OF DONATION: ______________________________

RECEIVED BY: ______________________________

Form 1

Lake Norman Lightning
300 Greenbay Rd
Mooresville, NC 28117
http://www.lakenormanlightning.org
501(c)(3) Non-profit organization
TAX ID# 80-0838412

LNL RECEIPT – GOODS AND/OR SERVICES RECEIVED BY DONOR

DATE: ______________________________ Receipt #: ______________________________

This receipt is to certify that ____
Donor

made a charitable contribution to Lake Norman Lightning in the amount of $ ____________________

In return for your donation you have received the following, which we estimated to have a fair

market value of $ ____________________

List of goods and/or services provided and fair market value:

____

This donation was received by ____
Received By

____
Received By (Signature)

You must reduce the amount of your charitable deduction by the value of the goods and/or services

- -

LNL RECORD – GOODS AND/OR SERVICES RECEIVED BY DONOR

DATE: ____

RECEIPT #: ____

NAME:____

AMOUNT OF DONATION: ____

List of Goods and/or Services and fair market value

____

RECEIVED BY: ____