



**Q** A resident would like to make a cash contribution to our township's recreation program, and wants to receive a tax deduction on his individual income tax return. Is this possible?

Yes, contributions to township are deductible on an individual's personal income tax, if they are used for a "public purpose."

The amount deductible is subject to certain limitations based on an individual's adjusted gross income. It is recommended that township officials refrain from giving tax advice, but rather refer donors to IRS Publication 526 for guidance. Information is available on [www.irs.gov](http://www.irs.gov).

**Q** Are there specific IRS-required receipts that we must issue for these contributions?

There are specific acknowledgement procedures for monetary donations and donations of property that the IRS requires in order for individuals to receive a tax deduction. For cash contributions, which includes cash payments, checks, credit cards and payroll withholding, the following documentation must be provided by the township:

1. The documentation must be written, and include the amount of cash contributed, and whether the township gave the donor any goods or services as a result of the contribution, other than certain token items or membership benefits.
2. The donor must receive the receipt on or before the earlier of the date the donor files the return for the year of the contribution, or the due date, including extensions, for filing the return.

These are necessary for the donor to receive a tax benefit on their income tax return, for cash contributed in excess of \$250.

**Q** We would like to have a fundraiser to raise funds for park equipment. Will registration fees be tax-deductible?

IRS regulations require that a charitable organization make a "good faith" effort to value the benefits a donor receives as a result of a donation, and to disclose a description and amount to the donor. While this sounds simple, in practice it can require judgment calls and estimates, and can be a time-consuming process.

Donor benefits may consist of tangible or intangible benefits. Intangible benefits might include admission to a museum or other facility, invitations to purchase tickets to events not available to the general public, discounts on purchases, parking in a reserved lot on football Saturdays, etc. Tangible benefits can include food/meals, mementos, pictures, shirts, etc.

These valuations are not based on the cost of the event to the organization (e.g., the township), but on the value the donor receives. For example:

A golf tournament is held to provide funds for park equipment. Donors receive a round of golf with a cart, a boxed lunch, a gift bag, and dinner and two drink tickets. Entry fees are \$175 for an individual, \$700 for a four-person team, and hole sponsorships are \$2,000, which includes a four-person team.


The club normally charges \$55 for a round of golf, but is only charging \$35 for the tournament. The box lunch is \$8. A gift bag contains donated items, which are valued at \$60. The dinner is catered in the township hall, at \$44 per person. The bar is sponsored, though drink tickets are valued at \$10 each.

Tallying the above benefits, the donor benefit for a \$175 registration is \$177. There is no charitable component of the benefit. If a prize drawing is held, the balance of the ticket over the value of tangible benefits received is considered the value of the chance to win a prize and there is no gift for the donor/purchaser. The event sponsors' payments of \$2,000 are recorded as gifts with a \$700 benefit (four tickets at \$175 each) and a \$1,300 gift.

This information must be conveyed to event participants of the event, often on the event ticket or acknowledgement of sponsorship.

*Thanks to Auburn University Foundation for the use of their materials.*

Information provided in *Financial Forum* should not be considered legal advice, and readers are encouraged to contact their township auditor and/or attorney for advice specific to their situation.



*experience*  
*knowledge*  
*integrity*

**PSLZ, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

1034 West Ann Arbor Trail  
Plymouth, MI 48170  
Ph. 734.453.8770 Fax. 734.453.0312

Governmental Accounting  
Auditing  
Financial Consulting  
Services