GENERAL RULES

The amount of a payment to a 501 (c) (3) organization which qualifies as a tax-deductible donation is the total payment less the fair value of any benefits received by the donor. The recipient organization (i.e. the UA Foundation, for the benefit of your department) is required to disclose, in writing, the amount of any payment that is considered to be a tax deductible donation. Admission fees or purchases made at a silent auction are subject to these general rules; accordingly, the UA Foundation must verify compliance before processing deposits or disbursements related to the event. Please note that due to liability issues, alcoholic beverages may not be sold at auction.

EVENT PLANNING

Admission / Registration Fees

Silent auctions are usually held in conjunction with other events such as dinners or golf tournaments. The amount of the admission fee which qualifies as a tax-deductible donation is the excess of the total payment over the fair value of benefits (i.e. meals, entertainment) received by the donor. The portion of the ticket price which qualifies as a tax-deductible donation (even if zero) must be stated on the printed materials related to the event. Some examples:

- $30 of the $50 ticket price qualifies as a tax-deductible donation
- Payment in excess of $20 qualifies as a tax-deductible donation
- None of your payment qualifies as a tax deductible donation

Bid Sheets

At most silent auctions, a bid sheet is placed next to each item being auctioned to allow the bidders to write their names or bidder numbers and bid amounts. Well designed bid sheets make the bidding easy for participants and provides them with the required information concerning the tax deductibility of their payments. Bid sheets should contain the following:

- A brief description of the item to be auctioned
- The fair value of the item
- A place for bidders to write their names or bidder numbers and bid amounts
- A tax deductibility statement (i.e. IRS 90-12 disclosure)
  
  Example: Your payment in excess of the fair value(s) of item(s)
  purchased qualifies as a tax-deductible donation

  • A place to write the winning bidder’s address and phone number

A minimum bid may also be stated on the bid sheet but it must be in addition to the fair value and not in place of it. Also, the fair value of personalized or one-of-a-kind items such as autographed photos or golf with celebrity partners is always equal to the purchase price; therefore, for such purchases the amount which qualifies as a tax-
deductible donation is always zero. Certain works of art may also fall into this category if there is no readily established fair value.

**IT IS ALWAYS A GOOD IDEA TO SUBMIT SAMPLES OF PRINTED MATERIALS TO CRAIG BARKER OR DENISE DIEHL AT THE UA FOUNDATION FOR REVIEW PRIOR TO THE EVENT TO AVOID PROBLEMS WITH DEPOSITS OR DISBURSEMENTS LATER.**

**DEPOSITING PROCEEDS**

*Calculations*

A payment for a silent auction purchase qualifies as a tax-deductible donation only to the extent that it exceeds the fair value of the item purchased. For example, if an individual pays $200 for a gift certificate valued at $150, the amount which qualifies as a tax-deductible donation is $50 ($200 - 150 = $50). If he/she pays only $125 for the same gift certificate, the amount which qualifies as a tax-deductible donation is zero because the amount paid is less than fair value. If an individual pays $1,000 for a personalized or autographed item, the amount which qualifies as a tax-deductible donation is zero because, by definition, the fair value of such an item is equal to the price paid.

If an individual purchases several items and pays for them with a single check, the payment qualifies as a tax-deductible donation to the extent that it exceeds the combined fair values of the items purchased. For example, an individual’s winning bids include $200 for a gift certificate valued at $150, $2,800 for a travel package valued at $2,500, and $100 for a jewelry item valued at $350. The individual pays for the three items with a single check in the amount of $3,100. The combined fair value of the three items is $3,000 ($150 + $2,500 + $350); therefore, the amount which qualifies as a tax-deductible donation is $100 ($3,100 - 3,000).

*Forms*

Payments that have no gift component (i.e. no portion qualifies as a tax-deductible donation) may be grouped together and submitted to the Foundation on the Non Gift Deposit Transmittal form. Payments that have a gift component of $5,000 or less may be grouped together and submitted on the Gift Report & Distribution of Deposit Form. Payments that have a gift component of more than $5,000 are subject to the University Development Fee and should be submitted individually on the Gift Report & Distribution of Deposit form. Both forms are available on the UA e-forms web site. Please note that payments made by credit card cannot be submitted on the same deposit form as payments made by check and/or cash.

*Documentation*

The Foundation must verify that participants were informed, in writing, of the amount of their payment which qualifies as a tax-deductible donation. When submitting payments for admission or registration, attach copies of invitations, RSVP forms, or other printed materials containing the tax deductibility disclosure. When submitting payments for auction purchases, attach copies of the bid sheets and/or receipts.
MISCELLANEOUS

Participants should be instructed to make their checks payable to UA Foundation or UAF / ________ (fill in blank with event name or account name). It is very helpful to place this instruction at the bottom of the bid sheet.

The Foundation can only process payments made on MasterCard and Visa credit cards. Participants should be informed that the UA Foundation will appear as the vendor on their credit card statement. All credit card transactions are subject to a bank transaction fee (usually between 2% and 3% of the transaction amount); this will be charged to the appropriate Foundation account approximately one month after the credit card payments are processed.

The procedure described above is a suggestion; there are alternative ways to accomplish the same objective. The bottom line is that your department must be able to show the Foundation that you have informed participants, in writing, how much of their payment qualifies as a tax-deductible donation (even if zero). Most problems can be avoided by submitting materials to the Foundation for review in advance.
SILENT AUCTION
BID SHEET

ITEM #: ______________________

ITEM DESCRIPTION: ____________________________________________________________
________________________________________________________
________________________________________________________

FAIR VALUE: $________________

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</tbody>
</table>

Winning Bidder

Name: ____________________________
Address: ________________________________________________________
Phone: ____________________________
Method of Payment: Check Cash Credit Card*

* Card # ______________________ Exp MM/YY________
Cardholder Signature: ____________________________________________

If paying by check, please make payable to UA Foundation / __________

If paying by MasterCard or Visa, please note that UA Foundation will appear as the vendor on your credit card statement.

Your payment in excess of the fair value(s) of the item(s) purchased qualifies as a tax deductible donation.