

Dexter, Michigan
Downtown Development Authority

SPECIAL MEETING NOTICE

MARCH 28, 2013

7:30 AM

**DEXTER SENIOR CENTER
7720 ANN ARBOR STREET
DEXTER, MICHIGAN 48130**

Dexter Downtown Development Authority
SPECIAL MEETING

Agenda

March 28, 2013 < > 7:30 AM

Dexter Senior Center

7720 Ann Arbor Street

Dexter, MI 48130

1. Call to Order:

2. Roll Call

Bellas, Rich

Brouwer, Steve

Covert, Tom

Darnell, Don

Finn, Doug

Jones, Carol

Keough, Shawn

Lundy, Dick

Model, Fred

O'Haver, Dan

Schmid, Fred

Willis, Randy

3. Non-Arranged Citizen Participation:

4. Action Items:

a) Consideration of Authorizing the Village Manager to sign IRS Form 8283 and required letter to acknowledge receipt of property located at 3045 Broad

5. Non-Arranged Citizen Participation:

6. Adjournment

Courtney Nicholls

From: Colis, Thomas D. <Colis@millercanfield.com>
Sent: Monday, March 25, 2013 5:56 PM
To: Courtney Nicholls
Cc: Donna Dettling
Subject: Dexter DDA - Part Sale/Part Gift issue
Attachments: 20130325170526084.pdf

Courtney,

Here is Gary's response. Let me know if you need anything else from us at this time.

Tom

From: Glenn, Gary R.
Sent: Monday, March 25, 2013 5:26 PM
To: Colis, Thomas D.
Cc: Glenn, Gary R.
Subject: Dexter DDA - Part Sale/Part Gift issue

Based on your telephone message, I understand that the Dexter DDA acquired property known as 3045 Broad Street, Dexter, Michigan (the "Property"), for \$1,600,000.

The Transferor wants to claim a charitable contribution deduction based on the Transferor's contention that the Property had a fair market value in excess of the sales price. To that end, he has obtained an appraisal which says that the Property had a value of \$1,780,000. The Dexter DDA seems to acknowledge that there was a gift element to the transaction as Section 25 of the sale agreement, indicates that the Dexter DDA acknowledges that the transaction was a partial gift and partial sale by the Transferor.

In order for the Transferor to claim a charitable contribution deduction for a portion of the Property, the Dexter DDA must do two things:

- (i) it must sign Part 4 of Form 8283-Non-Cash Charitable Contribution and
- (ii) it must provide a written acknowledgment of the contribution.

Neither of these actions require any comment from the Dexter DDA on the value of the Property or the amount of the contribution, if any.

The Dexter DDA does not have to provide any assurance regarding the value of the Property, or whether a charitable contribution deduction is appropriate.

Form 8283

In Part 4 of Form 8283, the Dexter DDA will acknowledge that it is a qualified organization under Section 170(c). [The term qualified organization includes political subdivisions of any state.]

The form also requires the Dexter DDA to provide its tax identification number and to acknowledge the date upon which it received the Property. The Dexter DDA must also affirm that if it disposes of the Property within three (3) years after receipt, it will file Form 8282.

Form 8283 should be signed by an official authorized to sign tax returns for the Dexter DDA.

Acknowledgement of Contribution

Pursuant to Code Section 170(f)(8), the Dexter DDA should provide the Transferor with a written acknowledgement of the contribution. A statement like the following should work:

The Dexter DDA acknowledges that on December 30, 2012, it acquired real property commonly described as 3045 Broad Street, Dexter, Michigan, for the sum of \$1,600,000 from William Tupper. No other goods or services were provided by the Dexter DDA.

Attachments

I have attached Form 8283, a page from the Instructions from Form 8283, excerpts from an IRS publication (1771) describing substantiation requirements for contributions; and an excerpt from IRS Publication 557, which also describes the information to be provided by an organization to donors.

-----Original Message-----

From: DoNotReply@millercanfield.com [<mailto:DoNotReply@millercanfield.com>]

Sent: Monday, March 25, 2013 5:05 PM

To: Glenn, Gary R.

Subject: Message from "TRFL1-1"

This E-mail was sent from "TRFL1-1" (Aficio MP 6001).

Scan Date: 03.25.2013 17:05:25 (-0400)

Queries to: DoNotReply@millercanfield.com

NOTICE TO PERSONS SUBJECT TO UNITED STATES TAXATION (MCPS)

DISCLOSURE UNDER TREASURY CIRCULAR 230: The United States Federal tax advice, if any, contained in this document and its attachments may not be used or referred to in the promoting, marketing or recommending of any entity, investment plan or arrangement, nor is such advice intended or written to be used, and may not be used, by a taxpayer for the purpose of avoiding Federal tax penalties.



VILLAGE OF DEXTER

8140 Main Street • Dexter, Michigan 48130-1092 • (734) 426-8303

Village Council

Shawn Keough
President

Ray Tell
President Pro-Tem

Jim Carson
Trustee

Paul Cousins
Trustee

Donna Fisher
Trustee

Julie Knight
Trustee

Joe Semifero
Trustee

Administration

Donna Dettling
Manager

Carol Jones
Clerk

Marie Sherry, CPFA
Treasurer/Finance Director

Courtney Nicholls
Assistant Village Manager

Allison Bishop, AICP
Community Development Manager

Dan Schlaff
Public Services Superintendent

THE VILLAGE OF
DEXTER IS AN EQUAL
OPPORTUNITY
PROVIDER AND
EMPLOYER

www.DexterMI.gov

March 28, 2013

Willis E. Tupper
285 Grande Way, Apt 1701
Naples, FL 34110

Dear Mr. Tupper,

The Dexter Downtown Development Authority (EIN 38-6004671) acknowledges that on December 30, 2012 it acquired real property commonly described as 3045 Broad, Dexter, Michigan for the sum of \$1,350,000 from Tupper Properties, L.L.C. No other goods or services were provided by the Dexter Downtown Development Authority.

Sincerely,

Donna Dettling, Village Manager
Village of Dexter

Noncash Charitable Contributions

▶ Attach to your tax return if you claimed a total deduction of over \$500 for all contributed property.

▶ Information about Form 8283 and its separate instructions is at www.irs.gov/form8283.

OMB No. 1545-0908

Attachment Sequence No. **155**

Name(s) shown on your income tax return

Identifying number

Note. Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A. Donated Property of \$5,000 or Less and Certain Publicly Traded Securities—List in this section only items (or groups of similar items) for which you claimed a deduction of \$5,000 or less. Also, list certain publicly traded securities even if the deduction is more than \$5,000 (see instructions).

Part I Information on Donated Property—If you need more space, attach a statement.

1	(a) Name and address of the donee organization	(b) If donated property is a vehicle (see instructions), check the box. Also enter the vehicle identification number (unless Form 1098-C is attached)	(c) Description of donated property (For a donated vehicle, enter the year, make, model, condition, and mileage, unless Form 1098-C is attached.)
A		<input type="checkbox"/>	
B		<input type="checkbox"/>	
C		<input type="checkbox"/>	
D		<input type="checkbox"/>	
E		<input type="checkbox"/>	

Note. If the amount you claimed as a deduction for an item is \$500 or less, you do not have to complete columns (e), (f), and (g).

	(d) Date of the contribution	(e) Date acquired by donor (mo., yr.)	(f) How acquired by donor	(g) Donor's cost or adjusted basis	(h) Fair market value (see instructions)	(i) Method used to determine the fair market value
A						
B						
C						
D						
E						

Part II Partial Interests and Restricted Use Property—Complete lines 2a through 2e if you gave less than an entire interest in a property listed in Part I. Complete lines 3a through 3c if conditions were placed on a contribution listed in Part I; also attach the required statement (see instructions).

- 2a Enter the letter from Part I that identifies the property for which you gave less than an entire interest ▶ _____
If Part II applies to more than one property, attach a separate statement.
- b Total amount claimed as a deduction for the property listed in Part I: (1) For this tax year ▶ _____
(2) For any prior tax years ▶ _____
- c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above):
Name of charitable organization (donee) _____
Address (number, street, and room or suite no.) _____
City or town, state, and ZIP code _____
- d For tangible property, enter the place where the property is located or kept ▶ _____
- e Name of any person, other than the donee organization, having actual possession of the property ▶ _____

- 3a Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>
- b Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------
- c Is there a restriction limiting the donated property for a particular use?

<input type="checkbox"/>	<input type="checkbox"/>
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Name(s) shown on your income tax return	Identifying number
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Section B. Donated Property Over \$5,000 (Except Certain Publicly Traded Securities)—List in this section only items (or groups of similar items) for which you claimed a deduction of more than \$5,000 per item or group (except contributions of certain publicly traded securities reported in Section A). An appraisal is generally required for property listed in Section B (see instructions).

Part I Information on Donated Property—To be completed by the taxpayer and/or the appraiser.

- 4 Check the box that describes the type of property donated:
- | | | |
|--|--|---------------------------------------|
| <input type="checkbox"/> a Art* (contribution of \$20,000 or more) | <input type="checkbox"/> b Qualified Conservation Contribution | <input type="checkbox"/> c Equipment |
| <input type="checkbox"/> d Art* (contribution of less than \$20,000) | <input type="checkbox"/> e Other Real Estate | <input type="checkbox"/> f Securities |
| <input type="checkbox"/> g Collectibles** | <input type="checkbox"/> h Intellectual Property | <input type="checkbox"/> i Vehicles |
| <input type="checkbox"/> j Other | | |

*Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects.

**Collectibles include coins, stamps, books, gems, jewelry, sports memorabilia, dolls, etc., but not art as defined above.

Note. In certain cases, you must attach a qualified appraisal of the property. See instructions.

5	(a) Description of donated property (if you need more space, attach a separate statement)	(b) If tangible property was donated, give a brief summary of the overall physical condition of the property at the time of the gift	(c) Appraised fair market value
A			
B			
C			
D			

(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) For bargain sales, enter amount received	See instructions	
				(h) Amount claimed as a deduction	(i) Average trading price of securities
A					
B					
C					
D					

Part II Taxpayer (Donor) Statement—List each item included in Part I above that the appraisal identifies as having a value of \$500 or less. See instructions.

I declare that the following item(s) included in Part I above has to the best of my knowledge and belief an appraised value of not more than \$500 (per item). Enter identifying letter from Part I and describe the specific item. See instructions. ▶

Signature of taxpayer (donor) ▶ _____ Date ▶ _____

Part III Declaration of Appraiser

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or married to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during my tax year for other persons.

Also, I declare that I perform appraisals on a regular basis; and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this Form 8283 may subject me to the penalty under section 6701(a) (aiding and abetting the understatement of tax liability). In addition, I understand that I may be subject to a penalty under section 6695A if I know, or reasonably should know, that my appraisal is to be used in connection with a return or claim for refund and a substantial or gross valuation misstatement results from my appraisal. I affirm that I have not been barred from presenting evidence or testimony by the Office of Professional Responsibility.

Sign Here Signature ▶ _____ Title ▶ _____ Date ▶ _____

Business address (including room or suite no.)	Identifying number
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City or town, state, and ZIP code

Part IV Donee Acknowledgment—To be completed by the charitable organization.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on the following date ▶ _____

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 3 years after the date of receipt, it will file Form 8282, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

Does the organization intend to use the property for an unrelated use? ▶ Yes No

Name of charitable organization (donee)	Employer identification number
Address (number, street, and room or suite no.)	City or town, state, and ZIP code
Authorized signature	Title Date

property's appraised value did not exceed its acquisition price.

An appraiser may not be considered qualified if you had knowledge of facts that would cause a reasonable person to expect the appraiser to falsely overstate the value of the property. An example of this is an agreement between you and the appraiser about the property value when you know that the appraised amount exceeds the actual FMV.

Usually, appraisal fees cannot be based on a percentage of the appraised value unless the fees were paid to certain not-for-profit associations. See Regulations section 1.170A-13(c)(6)(ii).

Identifying number. The appraiser's taxpayer identification number (social security number or employer identification number) must be entered in Part III.

Part IV, Donee Acknowledgment

The donee organization that received the property described in Part I of Section B must complete Part IV. Before submitting page 2 of Form 8283 to the donee for acknowledgment, complete at least your name, identifying number, and description of the donated property (line 5, column (a)). If tangible property is donated, also describe its physical condition (line 5, column (b)) at the time of the gift. Complete Part II, if applicable, before submitting the form to the donee. See the instructions for Part II.

The person acknowledging the gift must be an official authorized to sign the tax returns of the organization, or a person specifically designated to sign Form 8283. When you ask the donee to fill out Part IV, you should also ask the donee to provide you with a contemporaneous written acknowledgment required by section 170(f)(8). After completing Part IV, the organization must return Form 8283 to you, the donor. You must give a copy of Section B of this form to the donee organization. You may then complete any remaining information required in Part I. Also, Part III may be completed at this time by the qualified appraiser.

In some cases, it may be impossible to get the donee's signature on Form 8283. The deduction will not be disallowed for that reason if you attach a detailed explanation why it was impossible.

Note. If it is reasonable to expect that donated tangible personal property will be used for a purpose unrelated to the purpose or function of the donee, the donee should check the "yes" box in Part IV. In this situation, your deduction will be limited. In addition, if the donee (or a successor donee) organization disposes of the property within 3 years after the date the original donee received it, the organization must file Form 8282, Donee Information Return, with the IRS and send a copy to the donor. (As a result of the sale by the donee, the donor's contribution deduction may be limited or part of the prior year contribution deduction may have to be recaptured. See

Pub. 526.) An exception applies to items having a value of \$500 or less if the donor identified the items and signed the statement in Section B, Part II, of Form 8283. See the instructions for Part II.

Failure To File Form 8283

Your deduction generally will be disallowed if you fail to:

- Attach a required Form 8283 to your return,
- Get a required appraisal and complete Section B of Form 8283, or
- Attach to your return a required appraisal of clothing or household items not in good used condition, an easement on a building in a registered historic district, or property for which you claimed a deduction of more than \$500,000. However, your deduction will not be disallowed if your failure was due to reasonable cause and not willful neglect or was due to a good-faith omission. If the IRS asks you to submit the form, you have 90 days to send a completed Section B of Form 8283 before your deduction is disallowed. However, your deduction will not be allowed if you did not get a required appraisal within the required period.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	20 min.
Learning about the law or the form	29 min.
Preparing the form	37 min.
Copying, assembling, and sending the form to the IRS	35 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Charitable Contributions



**Substantiation and
Disclosure
Requirements**



IRS

INTERNAL REVENUE SERVICE

**Tax Exempt and
Government Entities**

Exempt Organizations



Written Acknowledgment

Requirement

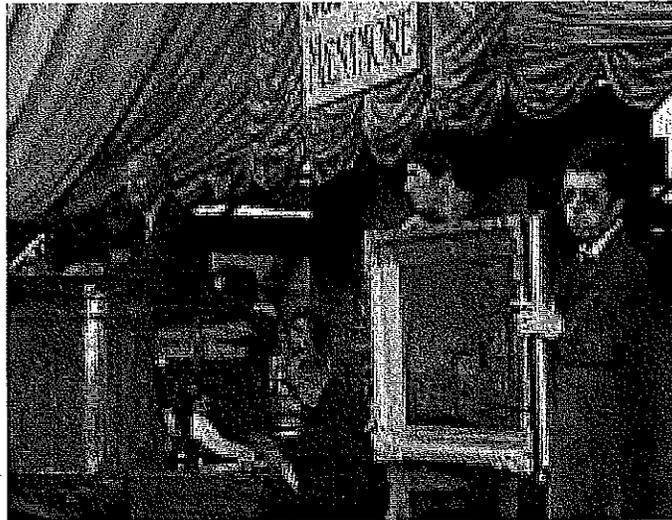
A donor cannot claim a tax deduction for any single contribution of \$250 or more unless the donor obtains a contemporaneous, written acknowledgment of the contribution from the recipient organization. An organization that does not acknowledge a contribution incurs no penalty; but, without a written acknowledgment, the donor cannot claim the tax deduction. Although it is a donor's responsibility to obtain a written acknowledgment, an organization can assist a donor by providing a timely, written statement containing the following information:

1. name of organization
2. amount of cash contribution
3. description (but not the value) of non-cash contribution
4. statement that no goods or services were provided by the organization in return for the contribution, if that was the case
5. description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution
6. statement that goods or services, if any, that an organization provided in return for the contribution consisted entirely of intangible religious benefits (described later in this publication), if that was the case

It is not necessary to include either the donor's social security number or tax identification number on the acknowledgment.

A separate acknowledgment may be provided for each single contribution of \$250 or more, or one acknowledgment,

such as an annual summary, may be used to substantiate several single contributions of \$250 or more. There are no IRS forms for the acknowledgment. Letters, postcards, or computer-generated forms with the above information are acceptable. An organization can provide either a paper copy of the acknowledgment to the donor, or an organization can provide the acknowledgment electronically, such as via an e-mail addressed to the donor. A donor should not attach the acknowledgment to his or her individual income tax return, but must retain it to substantiate the contribution. Separate contributions of less than \$250 will not be aggregated. An example of this could be weekly offerings to a donor's church of less than \$250 even though the donor's annual total contributions are \$250 or more.



Contemporaneous

Recipient organizations typically send written acknowledgments to donors no later than January 31 of the year following the donation. For the written acknowledgment to be considered contemporaneous with the contribution, a donor must receive the acknowledgment by the earlier of: the date on which the donor actually files his or her

For additional information that is required, see Form 8872.

Due dates. The due dates for filing Form 8872 vary depending on whether the form is due for a reporting period that occurs during a calendar year in which a regularly scheduled election is held, or any other calendar year (a nonelection year).

If the due date falls on a Saturday, Sunday, or legal holiday, the organization can file on the next business day.

Election year filing. In election years, Form 8872 must be filed on either a quarterly or a monthly basis. Both a pre-election report and a post-election report are also required to be filed in an election year. An *election year* is any year in which a regularly scheduled general election for federal office is held (an even-numbered year).

Nonelection year filing. In nonelection years, the form must be filed on a semiannual or monthly basis. A complete listing of these filing periods are in the Form 8872 Instructions. A *nonelection year* is any odd-numbered year.

How to file. Form 8872 can be filed either electronically or by mail. However, organizations that have, or expect to have, contributions or expenditures of \$50,000 or more for the year must file electronically.



To file by mail, send Form 8872 to the:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

Electronic filing. File electronically via the IRS Internet website at www.irs.gov/polaris. You will need a user ID and password to electronically file Form 8872. Organizations that have completed the electronic filing of Form 8871 and submitted a completed and signed Form 8453-X will receive a username and password in the mail.

Organizations that have completed the electronic filing of Form 8871, but have not received their user ID and password can request one by writing to the following address:

Internal Revenue Service
Attn: Request for 8872 Password
Mail Stop 6273
Ogden, UT 84201

Lost username and password. If you have forgotten or misplaced the username and password issued to your organization after you filed your initial Form 8871, send a letter requesting a new username and password to the address under *Electronic filing*. You can also fax your request to (801) 620-3249. It may take 3-6 weeks for your new username and password to arrive, as they will be mailed to the organization.

Penalty

A penalty will be imposed if the organization is required to file Form 8872 and it:

- Fails to file the form by the due date, or
- Files the form but fails to report all of the information required or reports incorrect information.

The penalty is 35% of the total amount of contributions and expenditures to which a failure relates.

Fraudulent returns. Any individual or corporation that willfully delivers or discloses any list, return, account, statement, or other document known to be fraudulent or false as to any material matter will be fined not more than \$10,000 (\$50,000 in the case of a corporation), or imprisoned for not more than 1 year, or both.

Waiver of penalties. The IRS may waive any additional tax assessed on an organization for failure to file Form 8872 if the failure was due to reasonable cause and not willful neglect.

Donee Information Return

Dispositions of donated property. If an organization receives charitable deduction property and within three years sells, exchanges, or otherwise disposes of the property, the organization must file *Form 8282, Donee Information Return*. However, an organization is not required to file Form 8282 if:

- The property is valued at \$500 or less, or
- The property is consumed or distributed for charitable purposes.

Form 8282 must be filed with the IRS within 125 days after the disposition. Additionally, a copy of Form 8282 must be given to the donor. If the organization fails to file the required information return, penalties may apply.

Charitable deduction property. This is any property (other than money or publicly traded securities) for which the donee organization signed an appraisal summary or Form 8283, Noncash Charitable Contributions.

Publicly traded securities. These are securities for which market quotations are readily available on an established securities market as of the date of the contribution.

Appraisal summary. If the value of the donated property exceeds \$5,000, the donor must get a qualified appraisal for contributions of property, see the *Exceptions*, below.

Exceptions. A written appraisal is not needed if the property is:

- Nonpublicly traded stock of \$10,000 or less,
- A vehicle (including a car, boat, or airplane), if your deduction for the vehicle is limited to the gross proceeds from its sale,
- Intellectual property,
- Certain securities considered to have market quotations readily available (see Regulations section 1.170A-13(c)(7)(xi)(B)),
- Inventory and other property donated by a corporation that are qualified contributions for the care of the ill, the needy, or infants, within the meaning of section 170(e)(3)(A), or
- Any donation of stock in trade, inventory, or property held primarily for sale to customers in the ordinary course of your trade or business.

The donee organization is not a qualified appraiser for the purpose of valuing the donated property. For more information, get Publication 561, Determining the Value of Donated Property.

Form 8283. For noncash donations over \$5,000, the donor must attach Form 8283 to the tax return to support the charitable deduction. The donee must sign Part IV of Section B, Form 8283 unless publicly traded securities are donated. The person who signs for the donee must be an official authorized to sign the donee's tax or information returns, or a person specifically authorized to sign by that official. The signature does not represent concurrence in the appraised value of the contributed property. A signed acknowledgment represents receipt of the property described on Form 8283 on the date specified on the form. The signature also indicates knowledge of the information reporting requirements on dispositions, as previously discussed. A copy of Form 8283 must be given to the donee.

Information Provided to Donors

In some situations, a donor must obtain certain information from a donee organization to obtain a deduction for a charitable contribution. In other situations, the donee organization is required to provide information to the donor.

A charitable organization must give a donor a disclosure statement for a *quid pro quo* contribution over \$75. (See *Disclosure statement*, below.) This is a payment a donor makes to a charity partly as a contribution and partly for goods or services. See *Quid pro quo contribution* below for an example.

Failure to make the required disclosure may result in a penalty to the organization. A donor cannot deduct a charitable contribution of \$250

or more unless the donor has a written acknowledgment from the charitable organization.

In certain circumstances, an organization may be able to meet both of these requirements with the same written document.

Disclosure of Quid Pro Quo Contributions

A charitable organization must provide a written disclosure statement to donors of a quid pro quo contribution over \$75.

Quid pro quo contribution. A contribution made by a donor in exchange for goods or services is known as a quid pro quo contribution. Your charitable organization must provide the donor a written statement informing the donor of the fair market value of the items or services it provided in exchange for the contribution. Generally, a written statement is required for each payment, whenever the contribution portion is over \$75.

Example. If a donor gives your charity \$100 and receives a concert ticket valued at \$40, the donor has made a quid pro quo contribution. In this example, the charitable part of the payment is \$60. Even though the deductible part of the payment is not more than \$75, a written statement must be filed because the total payment is more than \$75. If your organization fails to disclose quid pro quo contributions, the organization may be subject to a penalty.

Disclosure statement. The required written disclosure statement must:

1. Inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property other than money) contributed by the donor over the fair market value of goods or services provided by the charity, and
2. Provide the donor with a good faith estimate of the fair market value of the goods or services that the donor received.

The charity must furnish the statement in connection with either the solicitation or the receipt of the quid pro quo contribution. If the disclosure statement is furnished in connection with a particular solicitation, it is not necessary for the organization to provide another statement when it actually receives the contribution.

No disclosure statement is required if any of the following are true.

1. The goods or services given to a donor have insubstantial value as described in Revenue Procedure 90-12, 1990-1 C.B. 471, *Rev. Proc. 90-12*, and Revenue Procedure 92-49, 1992-1 C.B. 507 (as adjusted for inflation), *Rev. Proc. 92-49*.

2. There is no donative element involved in a particular transaction with a charity (for example, there is generally no donative element involved in a visitor's purchase from a museum gift shop).
3. There is only an intangible religious benefit provided to the donor. The intangible religious benefit must be provided to the donor by an organization organized exclusively for religious purposes, and must be of a type that generally is not sold in a commercial transaction outside the donative context. For example, a donor who, for a payment, is granted admission to a religious ceremony for which there is no admission charge is provided an intangible religious benefit. A donor is not provided intangible religious benefits for payments made for tuition for education leading to a recognized degree, travel services, or consumer goods.
4. The donor makes a payment of \$75 or less per year and receives only annual membership benefits that consist of:

- a. Any rights or privileges (other than the right to purchase tickets for college athletic events) that the taxpayer can exercise often during the membership period, such as free or discounted admissions or parking or preferred access to goods or services, or
- b. Admission to events that are open only to members and the cost per person of which is within the limits for low-cost articles described in Revenue Procedure 90-12 (as adjusted for inflation), *Rev. Proc. 90-12*.

Good faith estimate of fair market value (FMV). An organization can use any reasonable method to estimate the FMV of goods or services it provided to a donor, as long as it applies the method in good faith.

The organization can estimate the FMV of goods or services that generally are not commercially available by using the FMV of similar or comparable goods or services. Goods or services may be similar or comparable even if they do not have the unique qualities of the goods or services being valued.

Example 1. A charity provides a 1-hour tennis lesson with a tennis professional for the first \$500 payment it receives. The tennis professional provides 1-hour lessons on a commercial basis for \$100. A good faith estimate of the lesson's FMV is \$100.

Example 2. For a payment of \$50,000, a museum allows a donor to hold a private event in a room of the museum. A good faith estimate of the FMV of the right to hold the event in the museum can be made by using the cost of renting a hotel ballroom with a capacity, amenities, and atmosphere comparable to the museum room, even though the hotel ballroom

lacks the unique art displayed in the museum room. If the hotel ballroom rents for \$2,500, a good faith estimate of the FMV of the right to hold the event in the museum is \$2,500.

Example 3. For a payment of \$1,000, a charity provides an evening tour of a museum conducted by a well-known artist. The artist does not provide tours on a commercial basis. Tours of the museum normally are free to the public. A good faith estimate of the FMV of the evening museum tour is \$0 even though it is conducted by the artist.

Penalty for failure to disclose. A penalty is imposed on a charity that does not make the required disclosure of a quid pro quo contribution of more than \$75. The penalty is \$10 per contribution, not to exceed \$5,000 per fundraising event or mailing. The charity can avoid the penalty if it can show that the failure was due to reasonable cause.

Acknowledgment of Charitable Contributions of \$250 or More

A donor can deduct a charitable contribution of \$250 or more only if the donor has a written acknowledgment from the charitable organization. The donor must get the acknowledgment by the earlier of:

1. The date the donor files the original return for the year the contribution is made, or
2. The due date, including extensions, for filing the return.

The donor is responsible for requesting and obtaining the written acknowledgment from the donee. A charitable organization that receives a payment made as a contribution is treated as the donee organization for this purpose even if the organization (according to the donor's instructions or otherwise) distributes the amount received to one or more charities.

Quid pro quo contribution. If the donee provides goods or services to the donor in exchange for the contribution (a quid pro quo contribution), the acknowledgment must include a good faith estimate of the value of the goods or services. See *Disclosure of Quid Pro Quo Contributions*, earlier.

Form of acknowledgment. Although there is no prescribed format for the written acknowledgment, it must provide enough information to substantiate the amount of the contribution. For more information, see IRS Publication 1771, *Charitable Contributions – Substantiation and Disclosure Requirements*.

Cash contributions. To deduct a contribution of cash, a check, or other monetary gift (regardless of the amount), a donor must maintain a bank record or a written communication from the donee organization showing the donee's name, date, and amount of the contribution. In the case of a lump-sum contribution

(rather than a contribution by payroll deduction) made through the Combined Federal Campaign or a similar program such as a United Way Campaign, the written communication must include the name of the donee organization that is the ultimate recipient of the charitable contribution.

Contributions by payroll deduction. An organization may substantiate an employee's contribution by deduction from its payroll by:

- A pay stub, Form W-2, or other document showing a contribution to a donee organization, together with
- A pledge card or other document from the donee organization that shows its name.

For contributions of \$250 or more, the document must state that the donee organization provides no goods or services for any payroll contributions. The amount withheld from each payment of wages to a taxpayer is treated as a separate contribution.

Acknowledgment of Vehicle Contribution

If an exempt organization receives a contribution of a qualified vehicle with a claimed value of more than \$500, the donee organization is required to provide a contemporaneous written acknowledgment to the donor. The donee organization can use a completed Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, for the contemporaneous written acknowledgment. See section 3.03 of Notice 2005-44 for guidance on the information that must be included in a contemporaneous written acknowledgment and the deadline for furnishing the acknowledgment to the donor.

Any donee organization that provides a contemporaneous written acknowledgment to a donor is required to report to the IRS the information contained in the acknowledgment. The report is due by February 28 (March 31 if filing electronically) of the year following the year in which the donee organization provides the acknowledgment to the donor. The organization must file the report on Copy A of Form 1098-C.

An organization that files Form 1098-C on paper should send it with Form 1096, Annual Summary and Transmittal of U.S. Information Returns. See the Instructions for Form 1096 for the correct filing location.

An organization that is required to file 250 or more Forms 1098-C during the calendar year must file the forms electronically or magnetically. Specifications for filing Form 1098-C electronically or magnetically can be found in Publication 1220, Specifications for Filing Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically at www.irs.gov/pub/irs-pdf/p1220.pdf.

Acknowledgment



For a contribution of a qualified vehicle with a claimed value of \$500 or less, do not file Form 1098-C. However, you can use it as the contemporaneous written acknowledgment under section 170(f)(8) by providing the donor with Copy C only. See the Instructions for Form 1098-C.

Generally, the organization should complete Form 1098-C as the written acknowledgment to the donor and the IRS. The contents of the acknowledgment depend upon whether the organization:

- Sells a qualified vehicle without any significant intervening use or material improvement,
- Intends to make a significant intervening use of or material improvement to a qualified vehicle prior to sale, or
- Sells a qualified vehicle to a needy individual at a price significantly below fair market value, or a gratuitous transfer to a needy individual in direct furtherance of a charitable purpose of the organization of relieving the poor and distressed or the underprivileged who are in need of a means of transportation.

For more information on the acknowledgment, see Notice 2005-44, 2005-25 I.R.B. 1287, at www.irs.gov/irb/2005-25_IRB/2005-25_IRB/ar09.html.

Material improvements or significant intervening use. To constitute significant intervening use, the organization must actually use the vehicle to substantially further the organization's regularly conducted activities, and the use must be significant, not incidental. Factors in determining whether a use is a significant intervening use depend on the nature, extent, frequency, and duration. For this purpose, use includes providing transportation on a regular basis for a significant period of time or significant use directly related to training in vehicle repair. Use does not include the use of a vehicle to provide training in business skills, such as marketing or sales. Examples of significant use include:

- Driving a vehicle every day for 1 year to deliver meals to needy individuals, if delivering meals is an activity regularly conducted by the organization.
- Driving a vehicle for 10,000 miles over a 1-year period to deliver meals to needy individuals, if delivering meals is an activity regularly conducted by the organization.

Material improvements include major repairs and additions that improve the condition of the vehicle in a manner that significantly increases the value. To be a material improvement, the improvement cannot be funded by an additional payment to the organization from the donor of

the vehicle. Material improvements do not include cleaning, minor repairs, routine maintenance, painting, removal of dents or scratches, cleaning or repair of upholstery, and installation of theft deterrent devices.

Penalties. If your charitable organization receives contributions of used motor vehicles, boats, and airplanes valued over \$500 it may be subject to a penalty if it knowingly:

- Fails to furnish an acknowledgement in a timely manner, showing the required information, or
- Furnishes a false or fraudulent acknowledgement of the contribution.



Other penalties may apply. See Part O in the 2011 General Instructions for Certain Information Returns.

An acknowledgment containing a certification will be presumed to be false or fraudulent if the qualified vehicle is sold to a buyer other than a needy individual without a significant intervening use or material improvement within 6 months of the date of the contribution.

If a charity sells a donated vehicle at auction, the IRS will not accept as substantiation an acknowledgment from the charity stating that the vehicle is to be transferred to a needy individual for significantly below fair market value. Vehicles sold at auction are not sold at prices significantly below fair market value, and the IRS will not treat vehicles sold at auction as qualifying for this exception.

The penalty for a false or fraudulent acknowledgment where the donee certifies that the vehicle will not be transferred for money, other property, or services before completion of material improvements or significant intervening use or the donee certifies that the vehicle is to be transferred to a needy individual for significantly below fair market value in furtherance of the donee's charitable purpose is the larger of \$5,000 or the claimed value of the vehicle multiplied by 39.6%.

The penalty for an acknowledgment relating to a qualified vehicle being sold in an arm's length transaction to an unrelated party is the larger of the gross proceeds from the sale or the sales price stated in the acknowledgment multiplied by 39.6%.

Qualified Intellectual Property

A taxpayer who contributes qualified intellectual property to a charity may be entitled to a charitable deduction, in addition to any initial deduction allowed in the year of contribution. The additional deduction is based on a specified percentage of the qualified donee income with respect to the qualified intellectual property. To qualify for the additional charitable deduction, the donor must provide notice to the donee at the time of the contribution that the donor intends to treat the contribution as qualified intellectual property