

Silent Auction Basics

The law limits a donor's charitable deduction to the donor's tax basis in the contributed property (i.e., the cost paid by the donor to originally buy the item) and does not permit the donor to claim a fair market value charitable deduction for the item donated for auction. Specifically, the Treasury Regulations under section 170 provide that if a donor contributes tangible personal property to a charity that is put to an "unrelated use", the donor's contribution is limited to the donor's tax basis in the contributed property. The term "unrelated use" means a use that is unrelated to the charity's exempt purposes or function, or, in the case of a governmental unit, a use of the contributed property for other than exclusively public purposes. The sale of an item is considered unrelated, even if the sale raises money for the charity to use in its programs.

Donors of "goods" receive a tax receipt from UVM that includes a description of the item donated (there is no value placed by UVM on the tax receipt): "Thank you for your gift of a television for our silent auction." "Services" are generally not tax-deductible (accountant giving 3 hours of free time to highest bidder). We still issue a receipt to the donor that includes the description and the donor needs to consult with his/her tax adviser to determine deductibility.

Donors who purchase items at a charity auction may claim a charitable contribution deduction for the excess of the purchase price paid for an item over its fair market value. The donor must be able to show, however, that he or she knew that the value of the item was less than the amount paid. For example, a charity may publish a catalog, given to each person who attends an auction, providing a good faith estimate of items that will be available for bidding. Assuming the donor has no reason to doubt the accuracy of the published estimate, if he or she pays more than the published value, the difference between the amount paid and the published value may constitute a charitable contribution deduction.

Winning Bidders will receive a tax receipt from UVM stating the charitable deductible amount (i.e., the amount of the bid over the fair market value).

Example

Chris Jones gives 2 tickets to Boston Red Sox vs. New York Yankees. Face value of tickets \$40 each (whatever is printed on the ticket). Chris gets a charitable deduction of \$80, if the tickets sell at the auction. Sam Smith bids \$200 for the tickets and wins; gets a charitable deduction of \$120.

Sample Disclaimer

"The University of Vermont is a 501(c)(3) charitable organization, and donated items for auction and winning bids are tax deductible to the extent allowed by the IRS. Goods and services donated for auction are offered as-is. The University makes no representation and expressly denies fitness of any such item for particular use."

Send to Gift Records (see Auction Form):

- 1) Donor's name/address
- 2) Description of item donated
- 3) Fair Market Value (if more than \$5000, then an independent appraisal is required)
- 4) Bidder's name/address
- 5) Amount of winning bid (and of course, the corresponding check, cash or credit card payment)

Auction Event

Boston Dinner and Auction 7/1/08

Allocation/ Gift Account

General Scholarship Fund

Item	Name of Donor of Item	Fair Market Value \$	Is the Item a "service"?	Receipt Appraisal	GIK \$ 44309	Name of Highest Bidder	Highest Bid \$	Gift \$ 44309	Non-Gift \$ 45101
1 HD Television	Ima Donor	800	No	Yes	800	B. A. Smith	1000	200	800
2 Professional Baseball Game Tickets	Alice Pepper	80	No	Yes	80	Don August	500	420	80
3 5 hours accounting service	J. C. Williams	300	Yes	Yes	0	B. A. Smith	400	100	300
4 Artwork	Sam Boise	400	No	Yes	400	Maria Nevada	250	0	250
5			No	Yes	0			0	0
6			No	Yes	0			0	0
7			No	Yes	0			0	0
8			No	Yes	0			0	0
9			No	Yes	0			0	0
10			No	Yes	0			0	0
11			No	Yes	0			0	0
12			No	Yes	0			0	0
13			No	Yes	0			0	0
14			No	Yes	0			0	0
15			No	Yes	0			0	0
16			No	Yes	0			0	0
17			No	Yes	0			0	0
18			No	Yes	0			0	0
19			No	Yes	0			0	0
20			No	Yes	0			0	0
21			No	Yes	0			0	0
22			No	Yes	0			0	0
23			No	Yes	0			0	0
24			No	Yes	0			0	0
25			No	Yes	0			0	0
26			No	Yes	0			0	0
27			No	Yes	0			0	0
28			No	Yes	0			0	0
29			No	Yes	0			0	0
30			No	Yes	0			0	0
31			No	Yes	0			0	0
32			No	Yes	0			0	0
33			No	Yes	0			0	0
34			No	Yes	0			0	0
35			No	Yes	0			0	0
36			No	Yes	0			0	0
37			No	Yes	0			0	0
38			No	Yes	0			0	0
39			No	Yes	0			0	0
40			No	Yes	0			0	0