

Event Tickets: Beware of the Split



Many of your philanthropy-minded clients certainly enjoy attending fundraising events for their favorite charities. Especially as community events start ramping up this fall, you'll want to be aware of a little wrinkle in the IRS rules that may surprise your clients so much that they ask you about it.

Here's how this might go:

- Client: "We wanted to buy a table at the fall gala through our donor-advised fund, but the team at the Community Foundation said that's not possible and they suggested alternate ways of meeting our goals. What's up with that?"
- You: "Ummmm"

And no one could blame you for that response! The rules behind this are obscure and confusing, even by IRS standards.

Here's what's going on: The IRS frowns on donor-advised funds paying for any part of an event ticket to a charitable fundraiser—even if a portion of the ticket is tax-deductible.

Big picture, the IRS is likely striving for administrative simplicity to enforce the longstanding tax principle that a taxpayer cannot deduct value given to a charity that is effectively transferred back to the taxpayer. At a typical event, of course, your client receives food, drinks, entertainment, and even t-shirts and other fun swag. The IRS [knows](#) this!

The IRS's commentary on this topic is not new; [IRS Notice 2017-73](#) addresses a concept known as "bifurcated gifts," meaning a portion of a gift is tax deductible and the other is not. The [background](#) here is that the IRS has taken the position that Internal Revenue Code Section 4967 prohibits donor-advised grants from conferring "more than incidental" benefits to donor-advised fund holders. In its 2017 Notice, the IRS expresses its opinion that donor-advised fund grants that enable attendance or participation in a charity-sponsored event (such as buying tickets or a table) do indeed provide more than just an incidental benefit, *even if* the taxpayer pays out-of-pocket for the non-deductible portion of the ticket.

Ever since the notice was released, it's been on the [radar](#) of tax professionals, and many predict that the IRS will eventually formalize its opinion by issuing new regulations. It's wise to keep an eye on this because the penalties certainly are not negligible and include excise taxes imposed on the donor advisor and potential penalties for donor-advised fund programs that knowingly authorize such payments.

There is good news, though!

The team at the Chester County Community Foundation is on it! We understand the rules inside and out, and we are here to help your clients stay compliant *and* achieve their charitable goals. In situations like this, we help your clients structure gifts from their donor-advised funds to support general event sponsorships if the client declines all benefits, or even recommend that the client pay the ticket portion from their personal funds and use donor-advised funds to give separate and additional amounts for general support unrelated to the event specifically. We can also talk with your client about how to participate in rallies for outright donations during a fundraising event and ensure that the client is not receiving any benefit in return.

Please reach out anytime! We're happy to help!

For more information, contact the Chester County Community Foundation:

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