

## Quid Pro Quo Disclosures

*Quid Pro Quo* is Latin for “something for something.” A contribution made by a donor in exchange for goods or services is a quid pro quo contribution.

If you receive a donation greater than \$75, and the donor receives goods or services in return for the contribution, your chapter must disclose the value of those goods or services to the donor. Donors can only claim a deduction for the amount they contributed that is *above* the value of the goods or services they received. Your written statement must capture the attention of the donor. No fine print!

For example:

In your chapter’s annual fundraiser, you ask a donor to give \$100. In return, you give the donor a concert ticket that has a fair market value of \$40. Because the donor’s payment exceeds \$75, you must give the donor a written disclosure statement for the value of the concert ticket.

### **Donors care about the math!**

If a donor claims the wrong amount as a charitable deduction and gets audited, you can probably kiss future contributions goodbye – no matter which band they got to see in concert!

### **Need a reason to comply? *Penalties!***

A penalty will be assessed on your organization if it fails to provide a written disclosure statement at the time of solicitation or upon receiving the contribution. How much? \$10 per contribution, up to \$5,000 per fundraising event or mailing.

### **Exceptions to the Rule**

There are three exceptions to the rule:

- Tokens, which are insubstantial goods or services an organization provides in exchange for contributions (They are tokens if the donor gave at least \$43,\* the item bears the organization’s name or logo, and the item doesn’t cost more than \$8.60\*).
- Membership benefits, described as annually recurring rights or privileges that result from an annual membership payment of \$75 or less
- Intangible religious benefits or benefits that are for religious purposes only and are not usually sold commercially

### **Contents of the Quid Pro Quo Disclosure Statement**

The written statement must:

- Provide the donor with a good faith estimate of the fair market value of the goods or services
- Tell the donor that he or she can only claim the contribution amount that exceeds the fair market value of the goods or services provided

### Sample Letter:

Dear [Donor]:

Thank you for your cash contribution of \$100 that [chapter name] received on [date received]. In exchange for your contribution, we gave you a concert ticket worth an estimated fair market value of \$40. Therefore, for Federal income tax purposes, your contribution deduction is limited to \$60.

Thank you again.

Sincerely,

\* These dollar amounts are for 2006. Guideline amounts are adjusted for inflation.