IRS PUBLICATIONS

"Public Charities" and “Private Charities”

A private foundation is any domestic or foreign organization described in section 501(c)(3) of the Internal Revenue Code except for an organization referred to in section 509(a)(1), (2), (3), or (4). In effect, the definition divides section 501(c)(3) organizations into two classes: private foundations and public charities.

Generally, organizations that are classified as public charities are those that

Are churches, hospitals, qualified medical research organizations affiliated with hospitals, schools, colleges and universities,

Have an active program of fundraising and receive contributions from many sources, including the general public, governmental agencies, corporations, private foundations or other public charities,

Receive income from the conduct of activities in furtherance of the organization’s exempt purposes, or

Actively function in a supporting relationship to one or more existing public charities.

Private foundations, in contrast, typically have a single major source of funding (usually gifts from one family or corporation rather than funding from many sources) and most have as their primary activity the making of grants to other charitable organizations and to individuals, rather than the direct operation of charitable programs.

Additional information Charitable trusts that support public charities

Charitable Contributions

http://www.irs.gov/pub/irs-pdf/p526.pdf

Charitable Contributions-Substantiation and Disclosure Requirements

http://www.irs.gov/pub/irs-pdf/p1771.pdf

Travel, Entertainment, Gift, and Car Expenses

http://www.irs.gov/pub/irs-pdf/p463.pdf

Publication 78 Help For help in using Publication 78, Cumulative List of Organizations, see the following: http://www.irs.gov/charities/article/0,,id=119392,00.html

Scope of Publication 78; deductibility codes used in individual listings, and extent to which contributors may rely on listing as evidence that organization is an eligible donee (Part I)

General explanation of rules on charitable contribution deductions for federal income tax purposes (Part II)

Searching tips for on-line Publication 78 (Part III)

Frequently asked questions about the Publication 78 Search Engine

Questions about listings in Publication 78 or supplements should be addressed to the Tax Exempt and Government Entities Customer Account Services. These include questions about omissions, misspellings, alphabetical misplacement, coding errors, deductibility of contributions to a particular organization not listed, and general technical questions. Please review the information available in the documents listed above before contacting the IRS.gov Help Desk or Customer Account Services

---

Three approaches to determining fair market value

Donations don't always come in cash or checks. Some donations are in the form of stock, land and other types of property. Statement of Financial Accounting Standards (SFAS) 157, issued in September 2006, provides a framework for nonprofits to apply to measure fair value.

During a session at the recent American Institute of Certified Public Accountants (AICPA) annual conference in Washington, D.C., Kristofer Anderson of the Financial Accounting Standards Board and Nancy Shelmon of PriceWaterhouseCoopers explained three types of valuation techniques when it comes to SFAS 157:

* Income approach uses valuation techniques to convert future amounts to a single present amount, based on the value indicated by current market expectations about those future amounts. The focus is on future benefits generated by the subject business or asset, typically after-tax cash flow. Benefits are discounted to present value using an appropriate rate of return, or the "discount rate."

* Cost approach is based on the amount that currently would be required to replace the service capacity of an asset. The focus is on the cost of reproducing or replacing the asset. The value of an asset should not exceed the cost to obtain a substitute asset of "comparable utility."

* Market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The focus is on the application of

valuation metrics obtained from market transactions to the data of the subject business or asset, requiring valuation multiples derived from similar transactions.

You cannot deduct contributions to specific individuals, including the following:

Contributions to individuals who are needy or worthy. This includes contributions to a qualified organization if you indicate that your contribution is for a specific person. But you can deduct a contribution that you give to a qualified organization that in turn helps needy or worthy individuals if you do not indicate that your contribution is for a specific person. Example. You can deduct contributions for flood relief, hurricane relief, or other disaster relief to a qualified organization. However, you cannot deduct contributions earmarked for relief of a particular individual or family.

Payments to a member of the clergy that can be spent as he or she wishes, such as for personal expenses.

Expenses you paid for another person who provided services to a qualified organization. Example. Your son does missionary work. You pay his expenses. You cannot claim a deduction for your son's unreimbursed expenses related to his contribution of services.

Payments to a hospital that are for a specific patient's care or for services for a specific patient. You cannot deduct these payments even if the hospital is operated by a city, state, or other qualified organization.

This is not to say that those donors cannot donate to those individuals at all, just that those donations will not be tax deductible.

Executive Director salary justification – who do we submit this report to? What are examples of how to justify the salary and is it only for the Executive Director?

The intermediate sanctions require that the board be able to show that they did proper research to determine that the salary of the exec is not excessive. The minutes should verify that some kind of salary survey was conducted that compared the salary being offered with organizations of similar size and type. The board needs to justify to itself that the salaries it offers top level staff, board members, contractors, etc. are not excessive.

The regulation applies to all salaries (mostly top level salaries), contracts, income paid to board members, any "insiders". More information on Intermediate Sanctions can be found here.
