

It's Magic!
Questions and Answers from CASE's Online Seminar Presentation by John Taylor
February 24, 2005

Asked: Where would one find a list of companies that match greater than 1:1?

Answered: Several organizations keep track of matching gifts programs to the extent that the corporations are willing to share that information. CASE and HEP Development offer both print and online directories which note the known matching ratios and application procedures.

Asked: My understanding is that volunteer time is not considered a gift. So how can it be matched?

Answered: Your understanding is correct. However, although the value of one's time is not recognized by the IRS as a tax-deductible contribution that does not mean that the time is not valuable! Many corporations urge their employees to "donate" their time to a charitable cause and will recognize that commitment by making a cash gift to the same organization their employees volunteer with.

Asked: Do you predict more "picky" corporations choosing to further their political/moral views?

Answered: Corporations use many venues to articulate their moral and political stances. But very few have used their matching gifts programs in such a visible way. I do think that we will continue to see corporations refining their matching criteria generally, but I do not envision a significant increase in exclusionary language related to political or social views.

Asked: Do corporations get any kind of tax benefit for their "gift" to an educational institution in the form of a matching gift?

Answered: It really depends on the corporation and the mechanism they use for disbursing matching gifts. If, for example, they use a conduit foundation to facilitate the match there would not be any tax incentive – the foundation does not pay taxes. But if the match came directly from the corporation there definitely would be a charitable deduction opportunity.

Asked: What are the new rules that state that matching gifts CANNOT be allowed to pay off a donor's pledge?

Answered: There really aren't any "new" rules. The problem stems from who can legally make a pledge and who can legally satisfy that personal obligation. The attached white paper attempts to address these issues.

Asked: What is your suggestion for receipting the corporation when the check is both a payroll deduction gift from donor and matching gift from the company at the same time?

Answered: What you have described is quite rare. Most corporations do not offer payroll deductions for specific charities other than, perhaps, the United Way or other national programs. It simply requires way too much overhead. Nonetheless, some corporations will combine their match with the employee's contribution and send a single check to you. When this happens you must determine who the legal donor is. It is quite possible that the employee made a tax-deductible contribution to their employer's charitable foundation that then made a gift to you. In that case only the foundation should receive an IRS-acceptable receipt, although you surely should send a thank you letter to the employee. On the other hand it is just as likely that the corporation is acting as agent for the employee and is sending you two gifts in one – theirs and the employee's. In that case two receipts – one to the corporation for their match and one to the employee for their gift – are appropriate.

Asked: Wouldn't it only matter if the company matched spouse donations, if the spouses do not share a checking account?

Answered: For some corporations it does not matter at all. As long as they agree to match spousal, or "significant other" donations, if the individual attests to the fact that they are so related. Whether or not they share a checking account is not relevant.

Asked: What percentage of corporate matching gift companies request not to receive acknowledgments?

Answered: Probably 0%, based on the way your question was phrased. A "corporate" gift should always be acknowledged if they wish to claim a tax deduction (gifts of under \$250 are exempt). But when a corporation uses their – or another entity's – foundation to facilitate the match an acknowledgement is not required as they (a nonprofit) will not be filing a tax return other than a 990. All that said, I suggest sending them all an acknowledgement at least at the end of the year for all gifts received. You really can't thank a donor too much!

Asked: For tax purposes, who claims the matching gift, the individual or the corporation?

Answered: Only the legal donor. In matching gifts cases that's never the employee – unless the corporation were to treat the match as income to them (which I have only seen twice in 19 years). So the legal credit goes either to the corporation or their conduit foundation and that is who can claim the deduction.

Asked: I thought most companies didn't want to receive thank yous. Has this changed?

Answered: Those that tell you to not send acknowledgements are quite likely nonprofit organizations (see above). They simply do not need/want the paper. If they are a corporate

entity and do need confirmation they likely prefer an annual giving statement and not individual receipts to keep the paper-flow down.

Asked: We are trying to encourage young alumni to give and we have had some success. Many don't have checking accounts (they can be as young as 14 and in 9th grade). Who is the legal donor if they give their parents cash and their parents write the check? How do we credit the correct donor while encouraging young alumni to give?

Answered: Depending on your state and guardianship regulations, it is possible for a parent to legally act as an agent for a minor child. If they are acting in that capacity they can make a legal gift in the child's name. But I would be certain to have something in writing attesting to that fact before issuing a receipt.

Asked: In your experience, are matching or dollars-for-doers funds always counted as annual funds or have you seen them counted or credited to "unit" totals?

Answered: Only when the company requires it. The "norm" is for the match to follow the donor's original gift except when the company insists that the funds go to the unrestricted operating account of the institution (which, I might add, is rare). Of course many corporations have their own unique requirements, such as not permitting their gift to go towards a building or athletics. So you really need to check to see what can, and cannot, be done with the match.

Asked: How do you know whether a Fund is Donor Directed or Donor-Advised?

Answered: Most community foundations and firms like Fidelity are making it clear in their gift conveyance letters. But if that's still not helpful your only option is to call and ask the check maker, "Who is the legal donor?"

Asked: What if you receive a matching gift from a corporation through a DAF?

Answered: As I mentioned in the presentation, this is a pain! Hopefully, though, you have a "flexible" development system. The "legal" gift is from the DAF so that's where you record the gift. I personally believe you should soft-credit both the corporation and the original donor. But that is totally up to you.

Asked: Can Office space rent free be considered a sponsorship?

Answered: You can call pretty much anything you want "sponsorship." But that doesn't make it a "gift." And the temporary use of office space is clearly not a "gift" per IRS Publication 526.

Asked: Regarding professional services, is it okay to provide a gift-in-kind receipt to a professional for services rendered at no cost? For example, one of our alumni remodeled restrooms in our administration building at no cost. Does he get a gift-in-kind receipt?

Answered: Absolutely not. See the above mentioned IRS pub. This is not a legal (IRS) donation. It is best to pay them for services rendered and hope they will make a cash gift in return.

Asked: How do you handle a gift for a gala/benefit ticket - with premiums, which is paid with foundation's monies?

Answered: Most foundations will not allow their charitable donation to result in a private benefit. In fact that act could disqualify them as a legal charity. Before you permit such a benefit you really must talk to the foundation – and obtain written permission to award the benefit.

Asked: Regarding stock donations: Which amount should be claimed for the matching donation, the mean value or net value?

Answered: It is first important to note that not all corporations will match stock gifts! The IRS regards stock as “property,” and many corporations simply refuse to match anything that is not “cash.” But that said, corporations typically match only the legal gift amount. So in the case of stock, that would be the average between the high and low on the legal date of gift in the US, and the closing value on the legal date of gift in Canada.

Asked: How does an institution list corporate matching gift companies in such documents as a financial statement or annual report of donors?

Answered: That is completely up to you. But when you realize that the gift did come out of the corporation’s “philanthropy bucket,” I cannot imagine why the company should not be listed – based on their TOTAL support – in your annual listing.

Asked: A donor gives \$1k plus a match form which we turn in. THEN, they're invited to a FREE party/reception (not gala). Do we need to deduct the cost of wine, cheese, etc.?

Answered: If the donor had any reason to suspect that their gift would result in such an invitation, absolutely! And the matching gift application would have to be based on the net charitable gift amount – not the total amount paid. And it is not the “cost” you must subtract, but the fair market value.

Asked: What do you think of an Athletic Department that claims gifts supporting a collected Athletic Department scholarship fund should be matched? Yet the Athletic Dept. will "give" priority points for those dollars.

Answered: As long as the athletic department informs their donors that only 80% of their gift is tax-deductible, and only file matching claim forms for that amount with corporations that will match gifts to athletics, I see no problem. But crediting and matching the full amount paid would constitute fraud.

Asked: Regarding donations through United Way, who gets the hard credit & who gets soft credit? How should United Way Fees be handled?

Answered: The United Way is the donor. What you receive from them is the legal gift amount. They deal with the “fees.” So they get legal credit for what they send and the corresponding donor gets equal soft credit. And THEY get to handle matching claim forms as THEY are the ones who received a gift from an individual, not you.

Asked: How to handle group donations in one check?

Answered: The way the IRS says we should – the writer of the check is the legal donor unless they are serving as a legal agent for the others. The IRS has issued many Private Letter Rulings in this regard.

Asked: Do corporations match Gift Annuities? If not, why?

Answered: Some do, but not all. Some will only match outright current gifts. An annuity is a deferred gift and won't qualify for a match by some corporations based on this definition. For others they will match, but only at the IRS deductible level. There is no “law” stipulating what should and should not be matched. Corporations simply establish their own guidelines.

Asked: Our track & field coach sent a letter and a calendar to alums that includes the statement, “I encourage you to support the team with a donation, which would cover the cost of printing the calendars and also go toward the purchase of new warm-ups.” The cost of printing the calendar is \$4.00. Do we need to deduct this amount from the gifts? If a donor works for a matching gift company, the gift amount would also have to be reduced? (That is if the MG company matches athletics, of course.)

Answered: Personally I do not see this as a standard quid pro quo scenario. Quid pro quo essentially means that you give the donor something in exchange for their donation. Here you gave them something regardless of whether a donation was returned. You will want to check with your lawyer but I believe you are “safe” treating the full amount given as a gift. Furthermore, the value of the calendar is below the IRS \$8.30 threshold so as long as folk contribute more than \$41.50 they would still fall under the IRS limits.

Asked: Second question, a car dealership has given us the use of a car for 6,000 miles. I say not a gift, correct? Just give recognition credit to the dealership?

Answered: You are correct. You have not been given ownership of the vehicle, just limited use. Per IRS publication 526 that does not constitute a gift.

Asked: Is the United Way considered a donor-advised fund?

Answered: No, they are not – but they could have their own DAF much like a community foundation (think of the United Way as simply a really, really big community foundation). One component of the United Way may be to run a separate donor-advised fund, but they are not, at the highest level, a donor-advised fund.

Asked: We process all of our gifts as joint gifts, unless otherwise stated from our donors. In the case where Mr. Jones is the graduate and Mrs. Jones works for a match company that does not match spouse gifts, since we do all gifts joint, is it ok to request a match for that gift?

Answered: This is a very tough call. If you follow the letter and spirit of the guidelines then only a check written by the employee would qualify. So only if the checking account were joint – or owned totally by the employee – should you really apply for a match. The fact that you “split” the gift or make it joint on your system does not alter who actually made the gift. At the very least I would call the company and ask them if they would still honor the match request.

Asked: This question is mainly for the matching Insurance Companies Foundations. John Doe works for State Farm, he makes a pledge of \$100 through our phonathon, when it comes back to us, the check says "John Doe State Farm Insurance, Inc." Is it ok to request a match for this one?

Answered: Typically not because the employee has not made a gift. Their office has. And you will likely see on the matching gift form that you will have to sign some language that indicates, “I certify that the above named *individual* made a contribution of \$100.” But the individual did no such thing. But if you think you can convince the company to match it anyway I would first call them and get the name of the person who authorized the match to say so in writing.

Asked: What are Safe Harbor Rules? How do they relate to matching gifts?

Answered: Safe Harbor Rules are the limits the IRS assigns annually to the value of benefits you can provide to a donor with them still being able to claim a full tax deduction. This year those limits are 2% of the amount given or \$83, which ever is less. That means a donor who gives you \$1,000 can receive up to \$20 in benefits and still claim a \$1,000 gift (or up to \$83 for a \$10,000 gift). But if the benefits were valued at more than that, then you must reduce the gift amount by the full value of the benefits. Matching gift companies will typically only match that which the IRS recognizes as a tax-deductible contribution.

Asked: Should a matching gift be deposited to the same campaign (Annual Fund, capital, etc.) as the original gift from the donor?

Answered: That is 100% up to the matching gift company. Most have “rules” that essentially let you do with their match as you see fit. And some organizations translate that to mean letting the match follow the original gift. Other organizations will, though, place all of the matching in one common fund. And many corporations have very specific rules as to where their gift can, and cannot (like athletics), be credited. So you must be familiar with the guidelines for each company, and then set your own policy – to be fairly applied – on how to apply matching gifts that come with no restrictions.

Asked: If the donor gives a gift of stock, and the claim form for the matching gift does not contain a blank for "gift of securities," it only asks for "amount of gift" how would you fill that out? Would you put the amount that the donor was credited for the stock?

Answered: I would first read the company guidelines to determine if they will match gifts of stock at all. Many will specifically tell you that they will not. Others will not specifically mention stock as an exclusion, but will mention gifts of property as such – and stock is a property gift. So if it is not clear whether the company will match security donations you really need to call and ask. Then, if they say they will you should follow up by asking them how they wish you to value the donation, if at all. Some will tell you to simply list the name of the stock and number of shares.

Asked: A donor pledged \$25,000 to the capital campaign. He then gave gifts of stock which his company (he is CEO) matched. He requested that the match pay the rest of his capital pledge, plus a \$2,500 gift to the Annual Fund. We entered the matching gift under the company's record, and we will give him recognition for \$25,000 to the capital campaign and \$2,500 to the AF.

a. Was this the right thing to do?

b. Since matching gifts aren't supposed to pay pledges, should we just write-off the rest of his pledge? Or should we change the amount of the original pledge to what he actually paid? Or is there a better solution?

Answered: Generally you followed decent procedures although you should not have used the corporate match to satisfy the personal pledge without permission of the corporation. But since we are really just worried about donor recognition – and you were willing to “forgive” the balance of the personal pledge, the most straight-forward approach to this is simply to write-off the remainder of the pledge and give the original donor soft-credit for the match.
