The College Athlete
Network Foundation

NETWORKING EVENTS
IRS RULES REVIEW

The College
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ALUMNI & STUDENT PROFESSIONAL NETWORKING E-LEARNING SERIES

APPLICABLE TAX RULES, KNOWLEDGE REVIEW, & REAL WORLD EXAMPLES

In this guide, we embark on a comprehensive review of key aspects of the IRS Tax Code relevant to collegiate networks involved in fundraising activities. Our aim is to provide an accessible overview that highlights essential regulations, compliance considerations, and best practices to help educational institutions, student organizations, and alumni groups navigate the complexities of tax implications in their charitable and revenue-generating efforts. By breaking down pertinent sections of the tax code, we seek to empower readers with foundational knowledge that promotes informed decision-making and fosters ethical fundraising strategies aligned with federal requirements.

However, this guide is not intended to serve as an exhaustive analysis of the IRS Tax Code or a substitute for personalized legal advice. Tax laws are intricate and subject to frequent updates, interpretations, and nuances that may vary based on specific circumstances. We strongly recommend that readers consult with a qualified tax professional, attorney, or certified public accountant to address their unique situations and ensure full compliance with all applicable regulations.

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Fundraising Events — Compliance Guide for Athletic Departments & Team Support Groups

Executive Summary

The College Athlete Network Foundation is committed to fostering meaningful engagement between athletic departments, donors, and corporate sponsors through dynamic fundraising and networking events. To ensure full compliance with IRS regulations and uphold the integrity of our charitable mission, this guide outlines the tax rules governing contributions made in connection with such events.

Fundraising activities—including golf outings, dinners, receptions, and auctions—often involve providing goods or services to donors. Under IRS quid pro quo contribution rules, only the portion of a donor's payment that exceeds the fair market value (FMV) of benefits received is tax-deductible. This document provides clear guidance on calculating FMV, issuing required disclosures, and maintaining proper documentation

Key compliance highlights include:

- Determining FMV using good-faith market estimates for meals, entertainment, merchandise, and services.

- Providing written disclosures for contributions over $75 that involve donor benefits.

- Applying special rules for auctions, raffles, and sponsorships to ensure accurate reporting and donor transparency.

- Retaining records and training staff to answer donor questions confidently and accurately.

Key Takeaway

Booster Clubs are typically managed by volunteers. Costs are high as a percentage of donations. Maintaining compliance is tedious and often falls behind.

By following these standards, athletic departments and affiliated organizations can maximize donor trust, avoid penalties, and maintain eligibility for charitable tax deductions. This guide serves as a practical reference for event planning, donor communication, and financial reporting.

Purpose

When an athletic department or booster club hosts a fundraising event (e.g., golf outing, dinner, gala, networking reception), the IRS requires that the donor's charitable deduction only includes the portion of their payment that exceeds the fair market value (FMV) of the goods or services they receive in return.

Key Takeaway

Under IRS quid pro quo contribution rules, only the portion of a donor's payment that exceeds the fair market value (FMV) of benefits received is tax-deductible

This is the *quid pro quo* contribution rule — **IRC § 170(f)(8); IRC § 6115; IRS Publication 1771**, *Charitable Contributions—Substantiation and Disclosure Requirements*.

Booster Clubs

If the booster is run **by** the university or is legally part of it, donations are typically deductible because public universities qualify under **IRC 170(c)(1)**. But this is typically not the case.

Independent boosters without 501(c)(3) status who simply support the team in spirit (or give gifts directly to players) generally **cannot offer tax deductibility**. Even 501(c)(3) boosters can lose deductibility for certain contributions if the donor receives **too much value in return** — for example, premium season tickets or merchandise. The IRS calls this the "quid pro quo" rule.

Running a 501(c)(3) is a bit like owning a car — the initial "purchase" (getting IRS approval) is only the start. You also have to keep it compliant, file annual paperwork, and follow certain rules to keep the status.

Expense	**Typical Annual Cost**	**Notes**
State nonprofit report/renewal	$75	Required in most states; some charge every year, some biennially.
Registered agent service (if not self)	$200	Keeps your legal address for official notices.
IRS Form 990 filing	$500	Free if you do it yourself (Form 990-N for <$50k income); more if you hire a CPA for larger orgs.
State charitable solicitation registration	$0–$200 per state	If you fundraise, many states require this annually.
Bookkeeping/accounting software	$2,500	3rd party arm's length analysis req.
Insurance (optional but smart)	$500–$2,500	General liability and/or Directors & Officers (D&O) insurance.
Annual Total	>$6.000	

Booster Club Annual Compliance Tasks

- IRS filing:
  - *Form 990-N* (postcard) for gross receipts < $50,000
  - *Form 990-EZ* for $50k–$200k receipts or assets < $500k
  - *Full Form 990* for bigger orgs
    Missing 3 years in a row = automatic loss of tax-exempt status.
- State filings:
  - Corporate annual report to keep your nonprofit registered
  - Charitable solicitation renewals in each fundraising state
- Donor acknowledgment letters:
  - Must send IRS-compliant receipts for contributions of $250+
- Board meetings & minutes:
  - Keep records showing decisions are made properly and in the org's best interest.
- Financial records:
  - Must track income, expenses, restricted funds, and keep everything available for possible audits.

1. Core Rule

Deductible Amount = Total Paid − FMV of Benefits Received

- **Fair Market Value (FMV)**: What the goods or services would cost if the donor bought them separately on the open market (**IRC § 170**; **IRS Publication 561**, *Determining the Value of Donated Property*).
- **Goods/Services**: Meals, entertainment, greens fees, merchandise, parking, or any tangible benefit reduce deductibility (**IRC § 170(f)(8)**).
- **Intangible Benefits**: Recognition, networking opportunities, or goodwill have no FMV and do not reduce deductibility (**IRC § 513(i)**; **IRS Publication 526**, *Charitable Contributions*).
- **Additional Note**: Contributions must be made to a qualified organization under **IRC § 170(c)**, such as a 501(c)(3) educational institution or its athletic department booster organization.

2. IRS Requirements for Written Disclosure

If a donor pays more than $75 to a 501(c)(3) and receives goods/services in return (*quid pro quo* contribution):

The 501(c)(3) must provide a written disclosure stating:

1. The FMV of the goods/services provided.
2. The portion of the payment that is deductible.
3. That only the excess amount is deductible.

This can be on a ticket, invitation, program, or receipt (**IRC § 6115**; **IRS Publication 1771**).

Key Takeaway

The biggest risk is Reputaional Risk! An Athletic Department runs is having a booster club who is not in compliance, is taking in funds, is issuing tax receipts, **and alumni find out.**

Sample wording:
"The estimated fair market value of greens fees, dinner, and gift items received is $160. The remaining $90 of your $250 payment is tax-deductible to the extent allowed by law."

- **Penalty for Non-Compliance**: Failure to provide the required disclosure can result in a penalty of $10 per contribution, not to exceed $5,000 per fundraising event or mailing. The organization can avoid the penalty if it shows the failure was due to reasonable cause (**IRC § 6714**; **IRS Publication 1771**).

3. Common Event Examples

- **Golf Outing**: If a donor pays $500 for participation including greens fees (FMV $200), cart rental (FMV $50), and lunch (FMV $30), the deductible amount is $500 - $280 = $220. Intangible benefits like networking with athletes or coaches do not reduce deductibility (**IRS Publication 526**).

- **Dinner or Gala**: For a $300 ticket including a meal (FMV $100) and entertainment (FMV $50), the deductible amount is $300 - $150 = $150. If the event includes a silent auction, treat auction purchases separately (see Section 7).

- **Charity Run/Walk or Networking Reception**: If entry is $100 with a t-shirt (FMV $15) and refreshments (FMV $10), deductible amount is $100 - $25 = $75. Purely intangible benefits (e.g., event recognition) allow full deductibility.

- **Hybrid Events (e.g., Virtual/In-Person)**: FMV applies similarly; value virtual access (e.g., streamed content) based on comparable market prices, such as online ticket sales (**IRS Publication 561**).

4. Determining Fair Market Value

Use reasonable, good-faith estimates:

- **Meals**: Use actual menu prices from a similar venue.
- **Golf**: Use the standard greens fee (weekend rate if applicable).
- **Entertainment**: Use ticket prices from a public box office.
- **Merchandise**: Use retail value, not wholesale or cost.

Tip: Keep FMV documentation in case of IRS inquiry (**IRS Publication 561**). For donated property valuation, appraisers may be required for items over $5,000 (**IRC § 170(f)(11)**; **Form 8283**). Organizations should retain records for at least 3 years post-event (**IRC § 6001**).

5. Special Notes

- **Token Exception Rule (Insubstantial Benefits)**: If the donor gets only a small item of insubstantial value (generally FMV less than 2% of the donation or $136 in 2025, whichever is less; or if the payment is $68 or less and FMV is $13.60 or less), the full amount may be deductible (**Rev. Proc. 2024-40**; **IRS Publication 1771**).
- **Membership Benefits**: If benefits are intangible (newsletter, name in program), full amount is deductible. Tangible benefits (e.g., free event tickets) reduce deductibility unless they qualify as insubstantial (**IRC § 170(l)**; **IRS Publication 526**).
- **Donor Substantiation Requirements**: Donors must obtain a contemporaneous written acknowledgment from the organization for contributions of $100 or more, including *quid pro quo* details (**IRC § 170(f)(8)**; **IRS Publication 1771**).

6. Checklist for Athletic Departments

✅ Calculate FMV for each benefit given.
✅ Subtract FMV from total payment to get deductible portion.
✅ Disclose FMV and deductible portion in writing to donors.
✅ Retain documentation of FMV estimates.
✅ Train volunteers on answering "How much is tax-deductible?"
✅ Verify the organization is qualified under **IRC § 170(c)** and event proceeds support exempt purposes.
✅ Report unrelated business income (UBI) if applicable (e.g., advertising elements; **IRC § 512**).
✅ Withhold and report taxes on raffle prizes over $600 (**Form W-2G**; **IRC § 3402(q)**).

7. Auction & Raffle Considerations

Live and silent auctions, as well as raffles, have special IRS rules for both the donors of items and the winning bidders (**IRS Publication 526**; **Rev. Rul. 67-246**).

Donors of Auction Items

- If the donor gives actual property (e.g., artwork, sports memorabilia, equipment), they may deduct the fair market value (FMV) of the property, subject to IRS rules on type of property and holding period (**IRC § 170(e)**).
- If the donor gives only the use of property or services (e.g., vacation condo stay, golf outing, private lessons), no charitable deduction is allowed for the donor — only tangible property donations qualify (**IRC § 170**; **IRS Publication 526**).
- **IRS Reference**: *Publication 526* — "You can't deduct the value of your time or services, or the right to use property."

Bidders/Winners

- The deductible portion of a winning bid is equal to the amount paid minus the FMV of the item (**IRC § 170**).
- If the winning bid is less than or equal to the FMV, there is no charitable deduction.
- The organization must disclose the FMV of each auction item in advance to bidders (**IRS Publication 1771**).

Raffle-Specific Rules

- Raffle ticket purchases are not tax-deductible as charitable contributions, as they are considered gaming/gambling (**Rev. Rul. 67-246**; **IRS Publication 526**).
- Winners of prizes valued at $600 or more must have taxes withheld (24% if no SSN provided) and receive **Form W-2G** (**IRC § 3402(q)**; **Notice 1340**).
- Organizations may owe unrelated business income tax (UBIT) on raffle proceeds if not substantially related to exempt purposes (**IRC § 511-513**). State gaming laws may also apply.

Examples

Example 1: Condo Stay Donation

- FMV: $2,000
- Donor: Deductible amount = $0 (donation of use of property is not deductible)

  Winning Bidder pays $3,000 → Deductible portion = $3,000 − $2,000 = $1,000

Example 2: Golf Foursome Donation

- FMV: $1,000
- Donor: Deductible amount = $0 (donation of use of property is not deductible)

  Winning Bidder pays $500 → Deductible portion = $500 − $1,000 = $0 (no deduction because bid did not exceed FMV)

Example 3: Signed Jersey Donation

FMV: $300
Donor: *If eligible under IRS rules, may deduct $300 (FMV of tangible property donated)*

Winning Bidder pays $500 → Deductible portion = $500 − $300 = $200

Example 4: Raffle Ticket for a Luxury Watch (FMV $1,000)

- Ticket buyer pays $50: No deduction (gaming, not charitable).
- Winner: Organization withholds 24% tax if prize > $600 and reports on **Form W-2G**.

8. Sponsorship Deduction Rules

When a company purchases a sponsorship package that includes tangible benefits (such as golf foursomes, meals, gift bags, or signage), only the portion of the payment that exceeds the fair market value (FMV) of those benefits is tax deductible (**IRC § 170**; **IRS Publication 526**).

If the sponsorship is purely promotional (*qualified sponsorship payment*), with no substantial return benefit beyond use of name/logo or basic acknowledgment, the full amount may be deductible either as a charitable contribution (if no substantial return benefit) or as a business expense (advertising). Such payments are not subject to UBIT for the organization (**IRC § 513(i)**; **IRS Publication 598**, *Tax on Unrelated Business Income of Exempt Organizations*).

Example:

Gold Sponsorship Price: $2,500
FMV of tangible benefits (e.g., 4 golfers at $250 each): $1,000
Deductible portion as charitable contribution: $1,500

Important Notes:

- The IRS closely examines whether the payment is primarily for advertising/business or charitable donation (**IRC § 162** for business expenses).
- Charitable deductions are subject to IRS limits and rules (e.g., 10% of taxable income for C-corporations; **IRC § 170(b)(2)**).
- Business expenses may be fully deductible but follow different tax rules.
- Organizations should provide clear written disclosures to sponsors outlining the FMV of benefits received and the deductible portion (**IRC § 6115**).

9. Additional Compliance Considerations

Unrelated Business Income Tax (UBIT): If event elements (e.g., sponsorship advertising, raffles) are not substantially related to the organization's exempt purpose, report on **Form 990-T**. Exceptions include volunteer-run events or qualified sponsorships (**IRC § 512-513**).

State and Local Rules: Beyond IRS, check state charitable solicitation, gaming, and sales tax laws (e.g., sales tax on auction items).

Disaster Relief or Special Events: For events tied to relief efforts, ensure qualified organizations host and disclose properly (**IRS Publication 3833**).

Annual Updates: FMV thresholds and insubstantial benefit amounts are inflation-adjusted annually (**Rev. Proc.** series); verify for each tax year.

Resources: Consult **IRS Publications 526, 1771, 561**; **IRC §§ 170, 6115**; or a tax professional for complex scenarios.