

## Charitable Contributions Directed

### POLICY STATEMENT

Occasionally situations occur where a donor proposes to make a charitable contribution to the University with significant restrictions. Issues related to these potential donations include whether the University could accept the proposed gifts and whether the contributions would be deductible by the donor. Following are several scenarios that are affected by this policy:

- a) A faculty member requires funding to publish a book. An unrelated third party is willing to make contributions to the University to a fund established specifically for this purpose, and to raise contributions from other unrelated third parties;
- b) The parents of a University faculty member want to donate a significant amount to their son or daughter, exclusively for his/her purposes/research;
- c) A professor considers making a contribution to his or her own department, for use on his or her projects, or;
- d) A faculty advisor considers the possibility of allowing potential donors to make a specific gift to hand-picked individual students.

As a general rule, the IRS would not allow earmarked gifts of any sort as charitable contributions. A key factor in the deductibility of these gifts is the element of control on the part of the University (and related detachment on the part of the donor). To the extent the University can distribute the funds donated in accordance with its general policies and for its exempt purposes, the contribution will be deductible. The more specifically that the University's hands are tied regarding disposition of the gift, the less likely it is deductible. Where the University is merely a conduit between the donor and an individual, no deduction will be allowed. As one case in point indicates, "The uncertainty of the objects of the donation is an essential element of charity."

In the examples discussed above, in order for the gift to be acknowledged by the University as a charitable contribution, and therefore deductible by the donor, the gift should:

- Be contributed at least to the academic department level, rather than an individual;
- Not be subject to any undue constraints by the donor (i.e., especially regarding direction to specific faculty);
- Be overseen/allocated by the chair of the department at a minimum, but preferably by the Dean of the College or Provost.

Any gift so received must follow the usual University protocols once it has been awarded to a specific faculty member (i.e., budgets, spending oversights, etc.).

Thus, gifts to a specific student, or to a professor to specifically publish a book, commence a research project, etc., would all be disallowed as a tax deduction. If tax deductibility is not an issue, the contribution could be made to the faculty member directly. Questions regarding the potential deductibility of a gift should be discussed with the Development Office and Tax Department prior to receiving a gift, so that the potential donor is aware of the tax status or consequences of his or her proposed gift, and appropriate verbiage is included in correspondence with donors.