These guidelines were developed in accordance with IRS and State of Texas Regulations, CASE reporting standards, and UHS SAM and UH MAPP policies. These guidelines must be followed to protect our charitable status.

**Definitions**

**Gift**: An irrevocable and voluntary transfer of something of value (money, securities, real estate, equipment, art, etc.) to a charity by a donor who has no expectation for compensation for the transaction.

**Quid pro quo (QPQ)**: Benefits, usually of goods or services, received by a donor in direct exchange for a gift made to the UH System. The Fair Market Value, rather than the cost to the institution, of such benefits must be accurately calculated and disclosed to the donor through all solicitation mediums prior to accepting any gifts. QPQ must also be accurately reflected in submitting information for gift processing so that QPQ is not counted in gift totals or donor tax deductibility.

**Fair Market Value (FMV)**: The price at which property would change hands between a willing buyer and a willing seller, neither having to buy or sell, and both having reasonable knowledge of all the relevant facts.

* Note: The FMV of QPQ is based on the value received by the donor and not the organization’s cost of and item or event.
* Note: FMV must be disclosed via all solicitation mediums and response devices to ensure that the disclosure is made prior to the donor making a gift.

**Advertising**: A form of marketing communication used to promote or sell something, usually a business’s product or service. Revenue generated from advertising may result in Unrelated Business Income Tax (UBIT) to the university. Contact the UHS Tax Office for further information and guidance. Examples of advertising include:

* Qualitative or comparative language
* Price information or other indicators of savings or value
* Endorsement or inducement to purchase, sell, or use the sponsor’s products, services, or facilities
* Note: A single message containing advertising and recognition is considered 100% advertising. Gifts-in-Kind of logo’d items such as shirts, koozies, etc. do not constitute advertising.

**Recognition**: Something that is provided to honor a person or entity for their achievement, service, or generosity and that does not endorse an individual business or product. Examples of recognition include:

* Brand or trade names, logo, location, phone number, email, and website
* Product or service listings
* Value-neutral descriptions, including displays or visual depictions of product lines or services
* Mere display or distribution (free or at a cost) of the sponsor’s product at a sponsored activity
* Note: If recognition is available only to event sponsors, and with disclosure of a zero fair market value (no QPQ) related to these items, recognition of event sponsorships may be included as a benefit.
* Note: If recognition may also be purchased by non-sponsors, then the appropriate fair market value must be disclosed and these items now constitute advertising.

**Examples of Event Transactions**

* If you have a fajita dinner event and sell tickets for $20, the FMV is established at $20 when a person purchases a ticket. There is no gift portion since the transaction total and the FMV are equal.
* If you have the exact same fajita dinner event and sell tickets for $100, the FMV is established at $100 when a person purchases a ticket. There is no gift portion since the transaction total and the FMV are equal.
* If you have the exact same fajita dinner event, disclose that the FMV of the dinner is $20, and sell tickets for $100, then $80 of each ticket purchase is a gift and is tax deductible to the donor.
* If you have a fajita dinner event in which you are asking for sponsors at a $100 level and not promising anything in return for the sponsorship, then $100 of the transaction is a gift and is tax deductible by the donor.
* If you have a fajita dinner event where event tickets sell for $20, where you are asking for sponsors at a $100 level, where each sponsor is promised 2 free tickets to the dinner, and where the $40 FMV of the sponsorship package is disclosed to the donor, then $60 of the transaction is a gift and is tax deductible to the donor.

**Examples of benefits to consider when determining FMV:**

* Event Tickets/Tables: Food, Drink, Entertainment/Program, Location, Ambiance, Valet Parking, anything else listed as a benefit
* Event Underwriting/Sponsorships: Event Attendance, Services Received, Advertising (must be valued), Recognition (zero FMV), exclusive access to potential job applicants, anything else listed as a benefit

**A Special Note about Raffles and Other Games of Chance**

Raffles: Contact the UHS Office of General Counsel for guidance to ensure compliance with State of Texas Regulations.

Other: Not countable as gift. (Examples: Mulligans in a golf tournament)

Door prizes, where tickets are not sold and where everyone has an equal chance of winning, are allowed. Since there is no financial transaction, there is not gift portion.

**A Special Note about Auctions**

There are two possible gifts related to each item auctioned.

* Item Donor
  + Tax deductibility possible only if item sells at auction. Item donors should contact their tax advisor about tax deductibility.
  + Some items may not be countable as gifts
    - If countable, gift entered in donor database and donor receipt will include only a description of the item and no value
    - If not countable, an acknowledgement may be provided to the donor – review GAM for sample approved by General Counsel
* Winning Bidder
  + If FMV disclosed prior to bidding in writing (bid sheet, live auction item list, slide presentation, etc.)
    - Eligible for tax deductibility when winning bid amount greater than FMV
    - Gift entered in donor database and donor receipted

**Summary Checklist for Events**

For All Events:

\_\_\_\_\_ Start event planning early!

\_\_\_\_\_ Determine sale price of ticket/table/sponsorship and FMV of each individual benefit to be received by the donor

\_\_\_\_\_ Have FMV of benefits reviewed and approved by University Advancement (UA) to determine if fundraising event

For Fundraising Events:

\_\_\_\_\_ Prepare solicitation materials to include disclosure of FMV at the “package” level (not individual benefit level)

\_\_\_\_\_ Have solicitation materials reviewed and approved by UA

\_\_\_\_\_ Have auction item donation form approved by UA or use standard form in GAM

\_\_\_\_\_ Distribute solicitation materials to prospective donors

\_\_\_\_\_ Have auction bid sheet approved by University Advancement or use standard form in GAM

For all Events:

\_\_\_\_\_ Deposit transactions received

No gift portion – funds are deposited by the department

Gift portion - depending in departmental procedures funds may be deposited by the department or by UA

For Fundraising Events:

\_\_\_\_\_ Submit supporting documentation for entry into donor database for gift counting and donor tax receipting