

That event program “advertisement”...is it a charitable donation or a marketing expense?

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<http://insuranceagencyaccountants.com/wp-content/uploads/2014/10/jeffrey-kellner1-3.jpg>

Brenda DiCarlo
Founder, IAAB

When your business buys tickets to a charity gala, the amount you can deduct as a charitable contribution is usually very straightforward. [According to the IRS](http://www.irs.gov/publications/p526/ar02.html#en_US_2013_publink1000229650) (http://www.irs.gov/publications/p526/ar02.html#en_US_2013_publink1000229650), your contributions are reduced by any benefit you receive in exchange for the contribution. In other words, you can deduct only the amount of your contribution that is more than the value of the benefit.

Let's say you buy two tickets for a total of \$500. The charity will usually provide the value of the actual dinner, say, \$75 per plate. That means you received \$150 of benefit for your \$500 contribution. The IRS says that you can only deduct that portion of your contribution that is over and above the benefit you received. So, in this case, your deduction is \$350.

Now, let's suppose this charity is really near and dear to your heart, and you upgraded your ticket purchase to the \$1,000 level, which included the opportunity to place an ad in the event's journal, distributed to all attendees and posted on the charity's website. The dinner benefit is the same, so your charitable contribution would now be \$850, right? Well, not so fast...it all depends on what you do with that space in the journal.

If you use the space to merely thank or congratulate the evening's honoree, then you are not receiving a direct benefit and thus would have no further reduction in the amount you can claim as a charitable deduction. It's even acceptable to include <http://insuranceagencyaccountants.com/wp-content/uploads/2014/11/tax-time.jpg> your business name, logo, and slogan as part of such an acknowledgement. For example a message such as "ACME Insurance Company, your hometown agency, would like to congratulate John Smith on his recognition this evening," complete with logo, would likely pass muster with the IRS, which states (<http://www.irs.gov/publications/p598/ch03.html#d0e929>): "The use of promotional logos or slogans that are an established part of the sponsor's identity is not, by itself, advertising."



(Nor, for that matter, is a display of product as part of a sponsorship package. "In addition, mere distribution or display of a sponsor's product by the organization to the public at a sponsored event, whether for free or for remuneration, is considered use or acknowledgment of the product rather than advertising.")

On the other hand, if you instead use the journal space to advertise your business, that use is providing you value and you would need to deduct that value from your contribution. The IRS states, "Messages containing qualitative or comparative language, price information, or other indications of savings or value; Endorsements; and Inducements to purchase, sell, or use the products or services," are ads, and you have to deduct their "fair market value" from your total contribution to determine what's deductible and what's a marketing expense.

In this case, you might have to compare the rate of a similar ad in a local paper (especially if your charity is hosting the program on its website, with the potential for a lot of viewers).

Concerned about the gray area of charitable contributions vs. marketing expenses? Here at IAAB, we can help you sort through the fog and figure how to maximize your deductions and expenses.

Brenda DiCarlo
Founder and President

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