



## Dealing With Fundraising Requests For Personal Purposes

by Louise A. Jackson

We are all aware of heart-wrenching stories of fundraisers being held to collect donations to assist with the unexpected horrendous medical bills of an individual with some rare disease. Charitable organizations sometimes are approached to help with these fundraisers. If the charitable organization thinks about getting involved, it needs to be aware of the following concerns:

1. It was approached probably because it is an organization to which contributions are deductible as charitable deductions for taxpayers who itemize their deductions for federal income tax purposes. A charitable organization must be set up for the benefit of a class of individuals, not specific individuals. If it operated for the benefit of specified individuals, it is not being charitable, even if the individuals in question need the help.
2. There is some suggestion by tax commentators that for a charity to hold such a fundraiser, it may be engaging in unrelated business activities that could invoke the unrelated business income tax on the funds so raised. At worst, they could be jeopardizing their federal income tax exemption depending on the facts and circumstances, including a comparison of the

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*About the photo:* Toledo skyline

funds raised from these activities to the total gross income of the organization and the amount of staff time expended.

3. Some charitable organizations may qualify to make individual grants for medical or other needs if contributions to them are not earmarked for a specified individual, or their IRS-approved purposes may allow it. It is recommended that you seek counsel from a tax professional.

If you, as an individual, are looking to help someone this way, here are some tips:

1. In reality, the contributions people give to these fundraisers are gifts to the individual in whose name the fundraiser is being held. Do not make any representations that the contributions qualify as charitable deductions.
2. The person being benefitted should not hold the fundraiser due to concerns of taxable self-employment income. The fundraiser should be organized by a family member or a friend. Gifts are not taxable income to the recipient.
3. Set up a separate account at a bank or other financial institution.
4. Do not hold raffles in connection with the fundraising or you might be engaging in illegal gambling under state laws.

Should you have any questions or concerns regard fundraising for a personal purpose, please contact Eastman & Smith.



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*Ms. Jackson, member, is a Northwest Ohio native with over 30 years of experience in the legal field. She practices in a number of areas, particularly those affecting governmental entities, non-profit/tax exempt organizations and small businesses.*

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