

**DONATIONS TO LIBRARIES ARE DEDUCTIBLE CHARITABLE DONATIONS
UNDER THE INTERNAL REVENUE CODE**

Questions frequently arise regarding whether a donation must be made to a library related 501(c)(3) organization or to a library's "Friends" organization for the donation to be tax deductible. The answer to this question can be found in Sections 170(b)(1)(A)(v) and 170(c) of the Internal Revenue Code, 26 U.S.C. §§170(b)(1)(A)(v) and (c).

Section 170(c)(1) provides that taxpayers, both individuals and corporations, may claim an income tax deduction for charitable donations made to "[a] State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made exclusively for public purposes."

Accordingly, Illinois libraries and library districts, as political subdivisions of the State, are charitable organizations possessing deductibility status under the Code as long as donations are made to them exclusively for public purposes. If no stated purpose accompanies a donation, the funds can be used for any exclusively public purpose.

In the event that a donation is in part a gift and in part of some value to the donor, such as admission to an event or an activity or a privilege, the Internal Revenue Service recommends that the value of the admission, activity or privilege to the donor be predetermined so that the amount of the donation and the amount of value to the donor can be stated in advance. Revenue Rule 67-246, 1967-2 CB104. For example, if your library is hosting a fundraising dinner and is charging \$50 per person, but each attendee is receiving a dinner valued at \$20 per person, the amount of the donation would be \$30 and the amount of value to the donor would be \$20. However, if a donor receives a token item, such as a bookmark, pocket calendar, keychain, mug, or poster as a result of their donation, the amount of the donation and the amount of value to the donor do not have to be predetermined or otherwise calculated. Revenue Procedure 90-12 (February 12, 1990).



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Furthermore, to support a tax deduction, it is necessary for a donee library or library district to issue a contemporaneous letter acknowledging a donation made exclusively for a public purpose and noting the extent of its deductibility if the donation is in the amount of \$250 or more.

A sample donation acknowledgment letter follows:

Dear Donor:

The Library gratefully acknowledges your donation made on _____, 20____. The Library is recognized by the Internal Revenue Service as a charitable organization in accordance with §§170(b)(1)(A)(v) and 170(c)(1) of the Internal Revenue Code. The Library's Federal Identification Number is: _____.

Date of Donation: _____, 20____

Amount of Donation: \$_____

Value of goods or services provided in return for your donation: \$_____

Thank you for your kindness and generosity.

If you have questions regarding the deductibility of charitable donations to your library, you should contact your library attorney.

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