Golf Outings – Evangelical Council for Financial Accountability

A golf outing may be held by a charity as a fundraising event. Funds can be raised through a variety of means including registration and corporate sponsorship.

Because golf and food are generally provided in exchange for registration and sponsorships, the "quid pro quo" contribution rules may come into effect. Whether an organization incurs quid pro quo reporting requirements in connection with fundraising golf outings depends on the specifics of the event. A quid pro quo contribution is one greater than $75, where it is known that goods or services are provided in exchange.

If an organization receives quid pro quo contributions, it must provide a written statement to the donor which:

- informs the donor that the amount of the contribution that is deductible is limited to the excess of the payment over the value of the goods or services provided by the donee organization, and

- contains a good faith estimate of the fair market value of the goods and services provided.

Even if a quid pro quo contribution is $75 or less and therefore does not have reporting requirements, the donor can still only deduct the amount of the donation beyond the market value of the goods or services they received. Although payments of $75 or less do not trigger the quid pro quo reporting requirements, many charities inform donors of the fair market value of the goods or services provided. This information is helpful to the donor in determining the amount that is deductible.

The fair market value of the goods or services provided by the charity is an important element in the quid pro quo disclosure. The cost of the goods and services is irrelevant. Often, the goods or services will have a zero cost to the charity because of donations.

In addition to the quid pro quo reporting requirements, single contributions of $250 or more require a receipt stating the amount of the contribution and the fair market value of any goods or services received in return (the quid pro quo element).

Registration. Registration typically includes lunch, 18 holes of golf, dinner, and an auction and prize drawings. If the fair value of the registration activities is less than or equal to the registration price the excess may be considered a charitable contribution and trigger the quid pro quo reporting rules. The amount of the outing registration must be more than $75 for the quid pro quo reporting requirements to come into effect. If the registration price is more than $75, the nonprofit must provide a written statement as outlined above to the donor.
Example: A pregnancy resource center sponsors a golf outing charging $200 per person for registration. Lunch and dinner are included in the registration fee as well as 18 holes of golf. The fair market value per person of the meals and golf is $25 and $55, respectively. Since the cost of registration is $120 more than the fair market value of the meals and golf, the difference is considered a charitable contribution. The $200 registration amount is well above the $75 quid pro quo reporting threshold. Consequently, the pregnancy resource center will need to provide registrants a written statement in accordance with the quid pro quo reporting requirements.

Participant packages. Participants in golf fundraisers may also be given a participant package that includes a t-shirt, golf balls, coupons for local businesses, etc. Some participant packages may include expensive items such as a golf bag or clubs (donated by a golf business). Occasionally, the fair market value of the participant package combined with the value of the event (golf, meals, etc.) is more than the registration fee of the event. When the fair market value of golf outing participation and items received exceeds the registration fee by $600 or more, the amount will be subject to 1099-MISC reporting requirements.

Example: A pregnancy resource center sponsors a golf outing charging $200 per person for registration. Lunch, dinner, and 18 holes of golf are included in the registration fee at a fair market value per person of $80. A participant package is given to all registrants that includes a golf bag valued at $250 as well as four new golf clubs valued at $600. The fair market value of the golf outing and participant package exceeds the value of the registration by $730. The pregnancy resource center will file a form 1099-MISC reporting the value of the outing and participant package ($730) in Box 3, Other Income and send Copy B to the participant.

Player sponsorship. Charities may encourage participants to recruit sponsors for their participation in golf fundraisers. Sponsors may pledge an amount based on number of holes played or the score of their participant. Participant sponsors are simply contributors to the charity.

Hole or event sponsors. A fundraising golf outing typically offers individuals or businesses the opportunity to sponsor holes or the event. Some outings offer lunch sponsorship as well. There are usually several levels of sponsorship with identification such as par, birdie, and eagle. Each level of sponsorship has certain benefits involving recognition and outing registration. The portion of the sponsorship payment that covers the fair market value of the tangible benefits such as outing registration is simply quid pro quo, and not subject to the sponsorship rules. If the other, intangible sponsorship benefits, such as recognition, are within the guidelines of qualified sponsorship payments, unrelated business income will be avoided.

A qualified sponsorship payment is a payment made by an individual or company to a tax-exempt organization, with respect to which there is no arrangement or expectation that the person will receive a substantial return benefit from the exempt organization. A substantial return benefit is a benefit other than certain uses or acknowledgments of the sponsor. Acceptable sponsorship benefits include the use or acknowledgment of the name, logo, or product lines of the sponsor's trade or business in connection with the activities of the exempt organization.

Charities must exercise care that acknowledgments of the sponsor are actually not a form of advertising. For purposes of this discussion, the term advertising means any message or other programming material which is broadcast or otherwise transmitted, published, displayed or distributed, and which promotes or markets any trade or business, or any service, facility or product. Advertising includes messages containing qualitative or comparative language, price information or other indications of savings or value, an endorsement, or an inducement to purchase, sell, or use any company, service, facility or product. A single message that contains both advertising and an acknowledgment is advertising. This section does not apply to activities conducted by a payor on its own. See Internal Revenue Regulation 1.512.4(c)(2)(v).

In response to sponsorship payments, charities should acknowledge the sponsorship payment in writing, describing the amount received and the corresponding benefits provided.

Example: A rescue mission holds a golf outing fundraiser. It offers three levels of hole sponsorships for individuals or businesses as follows:

- Par ($500) – One free registration, plus guest for dinner; recognition at hole and in program
- Birdie ($1,000) – Two free registrations, plus 2 guests for dinner; recognition at hole, in program, and on posters
- Eagle ($2,500) – Four free registrations, plus 4 guests for dinner; recognition at hole, in program, on posters, on golf shirts, and at dinner

The fair market value per person of the registration and guest for dinner is $100. Therefore, $100 of the Par sponsorship, $200 of the Birdie sponsorship, and $400 of the Eagle sponsorship is a quid pro quo contribution and not considered sponsorship payment. The remaining amount meets the qualified sponsorship payment criteria. The rescue mission should issue receipts to all levels of hole sponsors. However, if the sponsor is a business, no receipt is generally required since most businesses claim sponsorship payments as a business expense and not as a charitable contribution.

Hole-in-one sponsorship. A local business may sponsor a hole-in-one prize for a golf outing. If a participant gets a hole-in-one during the golf outing they win a prize. The prize is typically significant such as a new car or trip to an exotic location. The local business that sponsors the prize typically purchases an insurance policy that would cover the cost of the prize should a hole-in-one occur. The contribution made by the business is the premium paid on the insurance policy, not the value of the prize should it be won. The benefits provided by the charity to the business should be carefully evaluated to determine if the payment by the business is a qualified sponsorship payment and not advertising.

Example: Boyd's car dealership sponsors a hole-in-one challenge at a charity golf outing. Boyd's purchases an insurance policy for $2,000 that would cover the cost of a new car should a hole-in-one occur. In exchange for their sponsorship, Boyd's brings several new cars out to the golf outing and sets up a booth advertising the hole-in-one prize and their dealership.

As long as Boyd's cars and booth at the golf outing do not include messages containing qualitative or comparative language, price information or other indications of savings or value, an endorsement, or an inducement to purchase, the $2,000 would be considered a qualified sponsorship payment. If, however, they do contain an advertising component, the sponsorship amount would be considered advertising and subject the ministry to unrelated business income tax.

Donated goods or services. A ministry may include an auction, drawings, or door prizes throughout a golf outing. Such activities often use donated goods or services to give to the winners. Goods donated by individuals or businesses are considered charitable contributions. The donation of services does not qualify as a charitable contribution. While the charity may express appreciation to the donor of services, a charitable receipt should not be provided. The ministry is required to send a receipt for goods donated with a fair market value of $250 or more.

Example #1: An individual donates products the donor had purchased valued at $50 for a charity auction. The charity does not need to issue a receipt to the donor of the products because the fair market value of the donation is less than $250. If the value of the donated goods are $250 or more, the charity should issue an acknowledgment describing the goods donated and the condition of the items, the date of the donation, but without indicating a value of the donated items. (If the items donated were made by the donor, such as a quilt, the tax deduction would only be the donor's basis in the items.)

Example #2: A motel donates a weekend stay at the motel for a charity auction with a fair market value of $300. The charity can express appreciation to the motel but should not issue a receipt showing the $300 fair market value. This is a gift-in-kind that includes services. The acknowledgment provided to the motel should simply describe the gift of the weekend stay without stating a value. (This would be subject to the qualified sponsorship issues described above.)

Prizes. A fundraising golf outing may include prizes for certain winners. It may also include door prize drawings or similar give-aways. Prizes are typically donated goods or services. Prizes won would be subject to 1099-MISC reporting requirements if their fair market values were $600 or more.

Example: A fundraising golf outing participant receives a weekend stay for two at a local resort for wining the golf outing. The value of the weekend is $500. The ministry will file a form 1099-MISC reporting the value of the trip in Box 3, Other Income and send Copy B to the winner.

Auction during golf outing. Golf outing festivities may include a silent or live auction of donated goods or services. The quid pro quo rules may come into effect if the donor-purchaser demonstrates donative intent by paying more for the item than its fair market value. For payments of over $75 by the donor-purchaser, a ministry is obligated to advise donor-purchasers of the estimated fair market value of items so that they can claim the excess as a deduction. The organization must publish the value of the items before the auction, in order to assure the donor's their tax deduction.

Example: A charity includes a live auction at their golf outing dinner. A donor purchases a pair of professional football tickets with a face value of $200 total for $350. The charity should issue a receipt for the purchase that includes the fair market value of the tickets. $150 of the price is considered a charitable contribution for the donor-purchaser.

Purchasing mulligans. Charities sometimes raise extra funds at golf outings by offering participants mulligans to improve their score. The participant pays a specified amount and their score is consequently improved. Since there is no tangible benefit to a mulligan, the quid pro quo rules are irrelevant and the amount paid is another way for a participant to contribute to the charity.

Example: A Christian radio station offers mulligans for $25 to its golf outing participants to lower their score. The price of the mulligan is a deductible charitable contribution for the purchaser. The ministry does not have to issue a receipt because the contribution is less than $250.
