


muslim advocates
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**What Donors Should Know About
Safe & Effective Charitable Giving**

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Introduction

During Ramadan, Muslims give significant obligatory and discretionary charitable contributions. Donors should be aware of the US laws and regulations governing tax-deductible charitable contributions and restrictions on gifts to foreign charities.

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**Contributions That May Be Tax-Deductible
Based on Type of Donee**

- US charitable organizations listed in IRS Publication 78 (available on IRS website at <http://apps.irs.gov/app/eos/>)
- Mosques, churches and other religious organizations
- US federal, state and local governments

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Contributions That Are Not Tax-Deductible Based on Type of Donee

- Foreign organizations
- Individuals (even if needy or worthy)
- Political groups and candidates for public office
- Homeowners associations
- Social and sports clubs

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Types of Payments That Are Not Tax-Deductible Contributions

Any payment, or any portion of a payment, for which the donor receives a substantial benefit in return, such as:

- Tuition payment to a school
- Portion of a payment equal to the fair market value of the dinner or entertainment at a fundraising event
- A charity must provide written acknowledgement to a donor who makes a payment in excess of \$75 and receives goods or services in return.

The acknowledgment must provide a good-faith estimate of the value of the goods or services.

Certain goods or services are considered insubstantial, including intangible religious benefits.

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How to Provide Tax-Deductible Support to Foreign Organizations or Activities

An individual may support foreign organizations or activities indirectly by making a tax-deductible contribution to:

- US charities listed in IRS Publication 78 that make grants or conduct activities in foreign countries
- US "friends-of" organizations listed in IRS Publication 78

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Donor Intent and Donor-Imposed Restrictions

- State laws require charities to use contributions in accordance with restrictions imposed by donors.
- If a donor wants to impose a restriction on the use of a contribution, the donor should clearly state the restriction in a writing given to the charity (e.g., a letter).
- Donor imposed restrictions may include:
 - Specific purpose (such as scholarships or emergency relief in a particular country, but not a particular individual or foreign organization)
 - Endowment (a fund that generally is not fully expendable and is intended to provide an ongoing source of general support or support for a specific project)

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Recordkeeping Requirements for Tax-Deductible Contributions

- A donor must have a bank record or a written communication from a charity for each tax-deductible contribution.
- A donor must obtain a written acknowledgment from a charity for any single contribution of \$250 or more.
- A donor should retain the records of tax-deductible contributions for at least seven years after the donor's tax return is filed.

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Conducting Due Diligence with Regard to a Charity

The degree and extent of due diligence may vary from charity to charity: well-established US public charity vs relatively unknown foreign charity.

- Visit the charity's website. Does the charity conduct or support programs in the donor's field of interest or desired geographic area?
- Determine whether the charity is listed in IRS Publication 78.
- Review the charity's tax return (Form 990) on www.guidestar.org or state websites, such as New York Charities Bureau website http://www.charitiesnys.com/RegistrySearch/search_charities.jsp.
- Determine whether the charity or any director or officer has been designated a terrorist. See the Specially Designated Nationals and Blocked Persons List at <http://sdnsearch.ofac.treas.gov/>.

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Contributions to Foreign Charities

If a tax deduction is not desired, a donor may make a contribution directly to a foreign organization, but the donor should conduct due diligence prior to making the contribution.

- The degree and extent of due diligence may vary from charity to charity.
- Visit the charity’s website. Does the charity conduct or support programs in the donor’s field of interest or desired geographic area?
- Determine whether the charity or any director or officer has been designated a terrorist. See the Specially Designated Nationals and Blocked Persons List at <http://sdnsearch.ofac.treas.gov/>.

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Contributions to Foreign Charities

- Determine whether the charity is located in a country on the country sanctions list at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.
- If in doubt, consult an attorney knowledgeable in the laws and regulations governing contributions to foreign organizations.

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