

# Auctions and Deductions

*(The following applies only to fundraising for a 501(c)(3), involving tax deductions for individuals. If the auction is not raising money for a 501(c)(3 entity), nothing is tax deductible, and these rules do not apply. Information provided here follows IRS Publication 1771: Charitable Contributions – Substantiation and Disclosure Requirements.*

When someone donates a good to a nonprofit organization for an auction, that person may claim only the amount she actually paid for the item from her taxable income. The administrators of the organized event must provide a receipt to each donor, confirming the nonprofit is a tax-exempt organization and stating what goods or service was donated. The receipt should also confirm the value of the gift as stated by the donor. The donor is responsible for verifying that value if and when they claim it as a tax deduction. Donors should be advised that a contribution deduction is never allowed for donation of services.

The auction organizers must determine the fair market value of each good or service before the auction takes place. This may or may not be the same as the fair market value stated by the donor. The fair market value has to be made known to the bidders in advance of or at the time of the auction.

People who purchase items at a charity auction may claim a charitable contribution deduction for the **excess** of the purchase price paid for an item over its fair market value. Any bidder who pays more than the fair market value, as established prior to the auction, for a good or service is entitled to a receipt for their contribution. The contribution is determined as the amount paid minus the fair market value of an item. The organizers should provide receipts showing this contribution to all bidders who pay over the fair market value of the item. The receipt should clearly show the fair market value and the purchase price.

Example of a receipt to a “winning” bidder:

## RECEIPT

AAUW Name Branch  
Name of Event - Date  
AAUW Funds  
Washington DC

Name of Bidder  
Address  
Address

<b>Purchases:</b>		<b>Fair Market</b>		
<b>Item #</b>	<b>Item Name</b>	<b>Value</b>	<b>P.A.V.</b>	<b>Sale Price</b>
15	M.A. Hadley Farmhouse Collection	\$218.00	\$0.00	\$123.00
136	St. James Winery Award Winning Wine Basket	\$100.00	\$54.00	\$154.00

Total Paid Above Value (Charitable Donations): \$54.00

Thank you for your contribution to AAUW Funds. The difference between the total payments (your contribution to AAUW Funds and the value (any goods or services provided in exchange) may be tax-deductible as a charitable donation. Consult your tax advisor for guidance.

AAUW Name Branch Contact: Name, Phone #, E-mail