

Charity Auctions

With the rise of eBay and the popularity of “Antiques Roadshow” it’s no surprise that a growing number of charities have been effective in using auctions to raise funds. Here are some tips to consider when participating in such fund raising events.

Deductibility

The deductibility question for auction purchases can get a little tricky, but in general the rule of thumb is that, at best, only the amount above the fair-market-value of your auction purchase would be deductible as a charitable gift. The example provided in IRS Publication 526 states as follows:

“At a fund raising auction conducted by a charity, you pay \$600 for a week’s stay at a beach house. The amount you pay is no more than the fair rental value. You have not made a deductible contribution.”

What this IRS example suggests is that if the auction price was \$1,000 for the week’s stay at the beach house, then \$400 of the auction winner’s purchase would be deductible in this specific circumstance.

The tricky part comes when the auction involves items such as art and antiques where fair-market-value is not clear and the gavel price may in fact be determining the fair-market-value at that moment in time. If so, then none of the auction purchase would be deductible.

In-Person

A live auction can involve the fast-paced, paddle waving and gavel pounding that is probably most familiar to everyone. In a silent auction, however, the bidding is not in front of an audience. Bidders view items on display, usually over the course of an evening, and submit written bids, with the highest bid winning the item.

On the Web

eBay provides a means for everyone with Internet access to participate in an auction on everything ranging from used household items to luxury goods. Since 2003, charity auctions also have become available through the activities of MissionFish, an organization that works to help charities raise funds through a program known as eBay Giving Works. Among other things, MissionFish verifies the organization’s charitable tax-exempt status and helps transmit donations to the benefiting organization.

Keep in mind that online charity auctions are susceptible to misuse and abuse as any other Internet transaction. You always have the option of checking with the charity to verify if they are involved with the auction activity that you are considering.

