

Western Carolina University Division of Advancement
Policy #5
Silent Auction Policy

At the event/auction, each bid sheet/program and signage must provide the total fair market value of the items. In order to provide an opportunity to prospective bidders to claim a deduction, bidders must know the fair market value (FMV) of each auction item.

Bidders will be able to claim a charitable donation for the amount paid in excess of the FMV, provided the bidder knew the FMV in advance of the auction. WCU Foundation Records will provide a receipt reflecting this net deductible amount.

There can be no listing of an item as “priceless,” unless there is no desire or intent to provide the winning bidder with a possible tax-deduction. In such a case, the winning bid establishes the value and, thus, the bidder receives something of equal value for their payment. Please make all efforts to identify the FMV of auction items. Prior similar auctions and eBay are good sources for values.

Please **Do Not** tie a raffle or door prizes to auction events. The IRS considers these games of chance. Therefore, any admission price or purchase that qualifies an attendee for such a game of chance disqualifies any portion of that fee for a deduction.

Items contributed for an auction may be tax-deductible. There are two underlying rules:

- The item must be a gift in the eyes of the IRS. This excludes contributions recognized as either a service or partial interest. Examples of non-deductible services include free massages, legal advice, tax preparation, etc. Partial interest gifts include the use of a vacation home, free rounds of golf, free airline tickets, or stays at a hotel.
- The item must actually sell at the auction. Therefore, we do not provide receipts for donated items until after the conclusion of the auction. Those receipts will describe, without indicating value, what was given.

Donated auction items fall under the IRS definition for unrelated use property. Any contributed property not put into service by WCU falls under this category. A related use gift would be a piece of medical equipment donated to the School of Dental Medicine. Converting contributed items is a good way to generate more resources for WCU, but the law requires a reduction in a donor’s deduction for unrelated use property. Development Officers need to advise donors when soliciting auction items of the unrelated aspect of their donation.

- Development Officers/University Representatives must advise donors of items estimated to be worth

\$500+ of the possible need for them to file IRS Form 8283 with their itemized tax return. They should be encouraged to seek tax guidance and, if required, obtain a copy of the latest version of this form, complete their required portion, and deliver to the WCU Foundation for signature and return.

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\$5,000+ o their possible requirement to obtain the signature of a qualified appraiser on their 8283, prior to delivery of the 8283 to the WCU Foundation for signature. The donors should also be informed of the WCU Foundation's requirement to file Form 8283 with IRS whenever we sell donated property of

\$5,000+ within three years of the donation, this will likely be true for donated auction items. Development Officers/University Representatives must notify the WCU Foundation when such events occur.