



Are Membership Dues Deductible?

Some nonprofits say yes, some say no. What does the IRS say?

Q:

I am under the impression that the IRS doesn't consider paid memberships in museums, zoos, art galleries, botanical gardens, YMCAs, scouts, and the like to be charitable contributions. However, in doing some benchmarking, I find that several large organizations promote their individual memberships as all or partially tax deductible. Can you clarify this? I'd call the IRS, but I figure I'd get three different and conflicting answers.

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A:

The difference in amount that the member may deduct as a charitable contribution exists because some charities provide goods and services in exchange for dues. The charitable deduction for these payments depends on the benefits given in return for the dues.

When a member receives benefits in return for dues, the general rule is that the dues are not deductible. However, there are exceptions to this rule.

The IRS allows charities to disregard some membership benefits for purposes of calculating the donor's charitable contribution. You may disregard benefits if you offer them for \$75 or less per year and if members can exercise those benefits frequently. Examples of these benefits include free or discounted admission to the organization's facilities or events, including parking, and discounts on

purchases of goods and services, including goods or services offered by retailers working with the organization. When benefits consist of admission to events open only to members of the organization, the organization's cost per person must be within the limit of low-cost articles (\$7.60, adjusted yearly for inflation) for the benefit to be disregarded.

In addition to this exception for small membership payments, the IRS provides criteria for determining when larger membership payments may be considered charitable contributions. Organizations such as museums and philharmonics frequently offer memberships for an amount that is out of proportion to any benefits received. Revenue Ruling 68-432 provides that "there may be instances where an organization may offer a type of membership for an amount substantially exceeding the value of any benefits or privileges offered. Whenever the discrepancy between the size of the membership contribu-

tion and the potential monetary benefit is so great as to make it reasonably clear that the payment is of a dual character, the Internal Revenue Service will give due consideration to the possible separation on a uniform basis of that portion of the total payment that may properly be treated as a charitable contribution under section 170 of the Code."

The ruling concludes that the payment of membership dues to a charitable organization is deductible as a charitable contribution to the extent such payment exceeds the monetary value of the benefits and privileges available by reason of such payment. For example, if there are several classes of memberships available, and each class of membership receives the same benefits, the additional cost of the more expensive membership should qualify as a charitable contribution.

In summary, charities are subject to a variety of disclosure requirements depending on the value of the goods and services provided to the donor. If the dues are under \$75, there may be a safe harbor to fit your needs. For larger membership payments, the organization may be able to safeguard the member's charitable contribution deduction by clearly disclosing the value of the benefits associated with each class or type of membership.

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