



Going, Going, Gone!

How much can auction bidders deduct? How can you find interesting items to auction off?

Q:

We are conducting an auction to raise money for our group, a 501(c)(3) nonprofit organization of about 100 professional women. How much can auction bidders deduct as a charitable contribution? Is it the amount they pay for the item? Or is it the value of the item? What if they pay more than the item is worth? What if the item doesn't have a clear value—for example, artwork by children, a meal with a celebrity, or frequent flier miles? And do you have any ideas on how we can acquire good items to auction off?

A:

The IRS has made it clear that you must make a good-faith estimate of the fair market value of the items to be auctioned. Successful bidders must then be told that only the portion of their payment which exceeds the fair market value is deductible as a charitable contribution. In order to intend to make a charitable contribution, the bidder must be aware of the value of the item and intentionally pay more than its value.

When making a good-faith estimate of the value of goods or services, the IRS regulations provide that “any reasonable methodology” will suffice. Assigning a value that is within the range of typical retail prices will be accepted. When the goods or services are unique, you may base your estimate on the fair market value of similar merchandise or services.

For artwork created by children, the value would be limited to the cost of materials to make the piece of art. For a meal with a celebrity, the value is determined by the price of the food, wine, and cost of preparing and serving a similar meal in a restaurant. The celebrity doesn't add any real value. As for frequent flier miles, most airlines

have established a price, around 2.5 cents per mile, at which they “sell” their miles.

Here's a fun way to gain some great items and services to auction off. Have members of your organization hold parties of 18 people each. Form three teams of six people each. Have each team spend two hours driving around and collecting items from a scavenger-hunt list. The more items brought back, the higher the team's score. Award prizes, and serve dessert and coffee at the end of the party.

It's vital to concentrate your efforts on acquiring items that traditionally sell well at auctions, such as unique trips and experiences, normally unobtainable items, dinners at restaurants, golf outings, handmade items, airline and cruise tickets, hotel stays, and wine. Items that usually sell *below* value include art, jewelry, business and professional services, consignment items, and antiques.

For more good ideas, check out the new *Charity Auction Newsletter*, available as a free monthly e-mail (<mailto:mwinter@flite.net>).