

April 2014

## Private Foundation Bulletin

### Watch Out for Gala or Benefit Tickets



With the spring and summer seasons upon us, full of charity golf outings, alumni fundraisers, annual galas and the like, foundation board members and foundation senior management should be aware of some common pitfalls associated with attending ticketed events that could potentially run them afoul of the self-dealing rules.

#### ***Basic Rules and Reasons Why***

In accordance with IRS guidance on the foundation self-dealing rules, no foundation resources should be used to benefit a disqualified person (i.e. board members, substantial contributors, key management, etc.). The economic value associated with tickets to dinner events, performances, or entrance fees associated with annual passes is considered a private benefit when given or used by a disqualified person. Certain industry experts believe that a conservative approach to ticketed events would be to interpret all employees as disqualified persons for this purpose and not accept or purchase tickets.

There are some exceptions to these rules, such as attending a ticketed event in order to monitor the use of grant money at that event, or to evaluate the programs of an organization for possible future funding.

While a seemingly practical and “easy” solution, the splitting, or bifurcation, of the ticket cost between the economic value and the charitable portion of the ticket by the individual and/or foundation is **not** allowable according to IRS guidance. It has been interpreted by the IRS that the charitable portion still carries value by allowing an individual to forego the obligation to pay the remaining amount necessary to gain admittance.

One of the most common pitfalls is for a disqualified person attending a charity event to assume his/her spouse can attend as well with a ticket procured by the foundation. Attending an event paid for by the foundation with a spouse as a guest could be interpreted as a private benefit and trigger an act of self-dealing, as unintentional as it may be.

#### ***Bottom Line, Best Practice and Corrective Action***

If a disqualified person has a genuine desire to attend a certain charity event, the best course of action is for him/her to make a personal charitable contribution as a good faith donation and to maintain transparency. On a brighter note, the foundation can still contribute and be recognized as a patron in the program or other sponsorship signage.

If any tickets are received from an organization, the foundation should consider returning them to that organization. Lastly, if it is determined that there was an act of self-dealing, corrective action should be taken immediately, and you should contact your accountant and/or legal counsel.

#### **Contact:**

New York, NY  
212.286.2600  
212.867.8000

Harrison, NY  
914.381.8900

Stamford, CT  
203.323.2400

Paramus, NJ  
201.712.9800

Cranford, NJ  
908.272.6200

New Windsor, NY  
845.220.2400

Wethersfield, CT  
860.257.1870

If you have any questions about the topics covered above or would like a copy of our *Self-Dealing Bulletin* detailing the penalties associated therewith, please contact any of the following individuals in our Foundation Services Practice: Thomas F. Blaney, CPA, Partner and Co-Director at [tblaney@odpkf.com](mailto:tblaney@odpkf.com), or Christopher D. Petermann, CPA, Partner and Co-Director at [cpetermann@odpkf.com](mailto:cpetermann@odpkf.com), or Joseph L. Ali, CPA, Manager at [jali@odpkf.com](mailto:jali@odpkf.com).

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