



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
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The Honorable Kay Granger
Member, U.S. House of Representatives
1701 River Run Road, Suite 407
Fort Worth, TX 76107

Attention:

Dear Congresswoman Granger:

Thank you for your letter dated July 10, 2009, on behalf of your constituent,

You ask about the tax consequences to a donor who receives a repayment of a charitable gift that he or she made in an earlier taxable year. In a letter enclosed with yours, [redacted] writes that he made a designated gift to a charitable organization more than two decades ago. [redacted] indicates that the organization recently informed him that it will not be using the gift for his designated purpose. [redacted] states that he has requested that the organization repay the designated gift and accumulated interest to him. He states that he would like to use any future repayment to make a charitable contribution to a different charitable organization.

I am pleased to provide you with the following general information about the federal income tax consequences to a donor who receives a repayment of a charitable gift plus interest on the repayment. This letter does not constitute a ruling, and it does not address whether federal, state, or other laws (or a charitable organization's policies) in fact require or permit the organization to repay an earlier gift or to pay interest on the repayment. We express no opinion as to the legal or tax consequences to the charity of a potential repayment.

If a taxpayer receives the full tax benefit of a charitable contribution deduction when making a contribution to a qualified charity, and the charity repays the contribution to the taxpayer in a subsequent year, the "tax benefit rule" requires the taxpayer to include in gross income in that subsequent year the amount of the previously deducted

contribution. I have enclosed Revenue Ruling 76-150, 1976-1 C.B. 38, which addresses this issue.

A taxpayer who receives interest on a repaid contribution must also include that amount in income. An individual taxpayer generally includes interest in income when it is available to the taxpayer free of substantial limitations and restrictions. Thus, if a taxpayer has no access to interest income before the year he or she actually receives it, the interest generally is not included in the taxpayer's income until that year.

If the taxpayer uses a repaid contribution to make a new charitable contribution to a different charitable organization, he or she may claim a charitable contribution deduction for the new contribution, subject to the usual restrictions and limitations on charitable contribution deductions. I have enclosed Publication 526, *Charitable Contributions*, which contains the rules for charitable contribution deductions.

I hope this information is helpful. Please contact me at _____ or
at _____ if we can be of further assistance.

Sincerely,

Andrew J. Keyso, Jr.
Deputy Associate Chief Counsel
(Income Tax and Accounting)

Enclosures (2)