

## **A. ATHLETIC BOOSTER CLUBS: ARE THEY EXEMPT?**

by

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### **1. Introduction**

Health and fitness have become the battle cry of the baby boom generation. America's interest in personal fitness is growing by leaps and bounds. Our interest in individual and team sports, both national and international, is reaching epic proportions. The televised 1992 Winter Olympic Games drew record audiences. As we watched Kristy Yamaguchi take the Gold in the figure skating competition and Bonnie Blair speed skate her way to three Golds, we probably gave little thought to the cost of the grueling training that produces such athletes. The 1992 Summer Olympics, featuring the men's and women's gymnastics competitions, was another opportunity for national pride in our athletes. With the raw athletic ability and beauty of our athletes still in our mind's eye we should pause for a moment to consider the training process for American Olympic hopefuls and the financing of their dreams.

Nadia Comaneci and her famous perfect scores at the 1976 Olympic Games at age 15 inspired a generation of little girls to take up gymnastics training. There has been a similar surge in the popularity of ice skating, swimming, and other individual sports. As a result of the increased interest, the Service has seen a corresponding growth in applications for exemption under IRC 501(c)(3) of booster clubs created to help finance the training of these competitive athletes.

This article will concentrate, in particular, on booster clubs aimed at supporting competitive gymnastics. Typically, the class of individuals eligible to benefit from such clubs is open. Any child interested in competing is eligible for a position on a supported team based on athletic skill. Skill levels are set by the U.S. Gymnastics Federation and the U.S. Olympic Committee, the overall ruling bodies in this sport. The program is competitive and ongoing. Each year new athletes are brought into the program and there is turnover among team members. Team members are selected on objective criteria related to their athletic ability. The parents of the team members, however, usually control the booster clubs, and are their primary members.

The principles discussed herein are, of course, applicable to many other types of parent-controlled booster clubs. This article will discuss the theories under which such organizations may be recognized as exempt under IRC 501(c)(3) and the common practices that often pose a bar to such exemption.

## 2. Basis for Exemption

The funding and training of amateur athletes in the United States often takes place in the private sector. Our network of private and non-profit voluntary organizations acting as funding and training vehicles appears haphazard in historic contrast with the state-supported athletic complexes in many of the former Eastern Bloc nations. In lieu of state-supported training facilities, Congress has provided favored tax treatment for certain organizations engaged in promoting competitive athletics.

IRC 501(c)(3) provides exemption from federal income tax for organizations organized and operated exclusively for educational, charitable or other exempt purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), no part of the net earnings of which inures to the benefit of any private shareholder or individuals.

Traditionally, the Service has recognized the exempt status of organizations promoting amateur athletics where the organization has instructed youth in sports. This recognition was based on two theories - that the activities of the organization were educational, and that they combatted juvenile delinquency. This subject has been discussed in depth previously in an article beginning on P.83 of the 1982 CPE text.

Rev. Rul. 65-2, 1965-1 C. B. 227, describes an organization which is organized and operated for the purpose of teaching a particular sport to children. The organization's activities consist of conducting clinics in schools, playgrounds and parks. The organization provides free instruction, equipment and facilities, encourages youth participation in tournaments, and arranges for attendance of players and instructors at state tournaments. Its program and facilities are available to any child in the community who desires to participate, is physically able and has reached the qualifying age level. The ruling concludes that the organization's activities of instructing individuals to develop their capabilities are educational. Further, its furnishing of free instruction, equipment, and facilities to children of the community is accomplishing the charitable purpose of combatting juvenile delinquency. Accordingly, the organization qualifies for exemption under IRC 501(c)(3).

The organization described in Rev. Rul. 80-215, 1980-2 C.B. 174, was formed to develop, promote, and regulate a sport and promote competition for junior players

in the state. The organization is comprised of affiliated individual associations, clubs, leagues, and teams. The organization organizes local and statewide competitions for individuals under 18 years of age, promulgates rules, organizes officials, presents seminars for players, coaches, and referees, provides a framework for protest, appeals and procedures, and encourages the growth of the sport throughout the state. The ruling holds that the organization's activities combat juvenile delinquency and promote the education of children. Therefore, the organization qualifies for exemption under IRC 501(c)(3). This ruling distinguishes Rev. Rul. 70-4, 1970-1 C.B. 126, which held a similar organization exempt under IRC 501(c)(4) rather than 501(c)(3) because its activities were not limited to persons under age 18.

The provision of financial support to further amateur athletics as opposed to training, organizing, or other more direct support was also contemplated by Congress when such organizations were specifically included in IRC 501(c)(3). The Tax Reform Act of 1976 amended IRC 501(c)(3) to include organizations fostering national or international amateur sports competitions, but only if no part of their activities involves the provision of athletic facilities or equipment. The legislative history of this amendment contains the following comment by Senator Culver, an original sponsor.

The purpose of this other amendment is to ensure that amateur sports organizations are eligible for tax exempt status under section 501(c)(3) and to make contributions to such organizations deductible if the organizations' primary purpose is the support and development of amateur athletes for the participation in national and international competition. The activities involved include, but are not limited to, administration, competition, training, coaching, medical care and insurance, maintenance of sport facilities and equipment research, financial assistance, (emphasis added) and dissemination of information.

Questions were raised under the 1976 Act as to the definition of "national and international sports competition" and as to the proscription on such organizations providing facilities and equipment. These issues were reviewed in the 1987 CPE beginning at page 74. In an attempt to address the numerous questions raised by the 1976 amendment, Congress passed section 286 of P.L. 97-248, The Tax Equity and Fiscal Responsibility Act of 1982. This Bill amended IRC 501(c) by adding a new section, 501(j).

IRC 501(j)(1)(A) provides that in the case of a qualified amateur sports organization the requirement of subsection 501(c)(3) that no part of its activities

involve the provision of athletic facilities or equipment shall not apply. IRC 501(j)(1)(B) further provides that such organization shall not fail to meet the requirements of subsection (c)(3) merely because its membership is local or regional in nature. IRC 501(j)(2) defines a qualified amateur sports organization as any organization organized and operated exclusively to foster national or international amateur sports competition if such organization is also organized and operated primarily to conduct national or international competition in sports or to support and develop amateur athletes for national or international competition in such sports.

Thus, there are two theories under which the typical gymnastic booster clubs described in the following examples in Section 3 of this article might qualify for recognition of exempt status under IRC 501(c)(3). The activities of each organization are aimed at promoting a sport for youth. Through their sponsorship of sanctioned meets, both clubs are involved in activities that combat juvenile delinquency and educate youth and may be considered "educational" and "charitable" within the meaning of IRC 501(c)(3).

The other theory under which exemption may be established is that the organizations are qualified amateur sports organizations described in IRC 501(j)(2). This theory permits a broader class of beneficiaries as such organizations may support athletes of any age. IRC 501(j)(1)(A) and (B) permit us to dispense with the issues of whether the clubs provide facilities and equipment or compete on a national or international basis. Both clubs in our examples, conduct competitions directly through the sponsorship of nationally and internationally sanctioned meets and provide financial support directly to the athletes and coaches for the purpose of developing their competitive skills. Based on this short discussion, we can conclude that many athletic booster clubs have an exempt purpose.

Establishing an exempt purpose, however, is only the first step in our analysis. All organizations described in IRC 501(c)(3) must also establish that they operate exclusively for charitable purposes. They must establish that their net earnings do not inure to the benefit of any private individual and that they are operated for public purposes rather than private interests. These bars to exemption are discussed further in Section 4 of this article.

### 3. Examples of Typical Booster Clubs

The following two examples are composites and do not represent any one taxpayer. The facts have been chosen to help illustrate the problems most often presented in applications for exemption. As discussed above, the facts in each case

establish an exempt purpose. What is at issue in each case is whether the method of operation chosen by the taxpayer will preclude recognition of exempt status due to substantial private purposes being served.

**Example 1**

Booster Club A is organized to lend moral and financial support to designated gymnastic teams, to aid in the personal development of each member of the teams, and, to foster national and international gymnastic competition.

A is closely associated with a privately owned for-profit facility (X Gym) that is open to the public and offers various classes in gymnastics. The competitive teams that A sponsors compete at six different skill levels. All teams use X Gym for both training and competing. A rents a small office in the facility for its administrative activities.

A's activities consist primarily of sponsoring gymnastics meets that are engaged in by gymnasts from many locations and providing financial support to its sponsored teams by helping defray expenses incurred in local, state, regional, and national competitions. Meets are open to all competitors at the stated levels of competition and many athletes are eligible to, and do, compete. The meets have been held at X Gym and at public facilities. The choice of location for home meets is based on the size requirements for the scheduled competitions and lowest cost.

In addition to hosting meets, A provides training clinics for coaches and judges. A helps cover the costs incurred by the sponsored gymnastics teams by paying individual meet fees and travel expenses for the gymnasts and coaches to USGF approved competitions. A has also purchased equipment necessary for competitive training. This equipment has been installed at X Gym and is available for use by regular classes during non-training hours.

A does not provide training for members of the gymnastic teams it sponsors. The staff of X Gym, which includes the coaches of the sponsored teams, provides the almost daily training of the team members. In almost all cases, this training is paid for by the gymnast's parents at a monthly rate. The rate ranges from \$130.00 to \$250.00 a month depending on the number of hours scheduled for each competitive level.

Membership in A is available upon payment of a \$5 initiation fee. Parents of the gymnasts on the sponsored teams become members automatically and are assessed the initiation fee. A 10 member Board of Directors controls the organization. Eight of the individuals serving as directors also have children on one of the sponsored competitive teams. Two of the directors are the owners of X Gym.

A engages in a variety of fund raising activities. Many of these involve either the resale of purchased items or the sale of donated items. Several of the items sold carry the X Gym logo. The major fund raisers have been the competitive meets for which admission fees are charged, ads are sold, and concessions are operated. Parent members are required to participate in the fund-raising activities at levels predetermined by the Board of Directors or to contribute a corresponding amount in cash to enable their child to compete at meets sponsored by A and to be eligible for benefits paid on behalf of team gymnasts.

If all expenses are not covered by the fund-raising events, parents are required to contribute any shortages. Unless a gymnast is on scholarship, a gymnast, through his/her family efforts, must help raise funds in some way to receive an allocation of funds raised. Nonparticipating parents are fully responsible for their children's expenses and are expected to pay the full amount in cash.

To insure equity in the distribution of funds raised, the Board of Directors has adopted a point system. Each gymnast who expects to receive a benefit from funds raised by A is required to earn a specific number of points through the efforts of his/her parents. The actual points requirement is determined each year in proportion to the funds distributed to each gymnast. The parent-members of gymnasts receiving the most benefits are required to earn the most points. Those who have not earned their mandatory points will be ineligible for any distribution of funds to offset team costs the following year. Simply stated: If you don't help raise money, you won't share in the distribution of raised funds. Points earned in excess of the required level are deductible (\$1/point) from the following year's fund-raising obligation up to a maximum of \$100.00.

## Example 2

Booster Club B is also organized to support and promote competitive gymnastics. Like Club A, B is also closely associated with a privately owned for-profit facility (Y Gym) that is open to the public and offers various classes in gymnastics. Like the teams in Example 1, the competitive teams that B sponsors use this facility for both training and competing and B is permitted the use of a small office to carry on its administrative activities.

B sponsors gymnastics meets sanctioned by the United States Gymnastics Federation, the United States Association of Independent Gymnastic Clubs and Amateur Athletic Union. The USGF sets the rules that the gymnasts must follow. These home meets are held at Y Gym and at public facilities depending on the size requirements for the scheduled competition. B furthers its purposes by paying team entry fees, coaches' travel expenses, coaches' training expenses, and similar fees. B also provides uniforms for the gymnasts. B does not pay for or provide individual training for the gymnasts, nor does B purchase any equipment for use at Y Gym. Individual gymnastic training is provided and billed by the staff of Y Gym.

Like A, B is a membership organization consisting primarily of the parents of the gymnasts on the sponsored competitive teams. The organization is controlled by a Board of Directors made up of parents. The owners of Y Gym are not members of the Board and exercise no control over the organization.

B's funding is derived from corporate sponsorships and ads sold for placement in the meet sheets. B also runs concession stands at the meets. Several times a year, B sponsors other fund-raising activities such as silent auctions, car washes, and the like. B charges no dues and maintains no point system by which parents can earn credits towards the payment of entry fees or other fees and expenses.

B's by-laws and membership agreements strongly urge parent-members to participate in the various fund-raising activities for the benefit of all gymnasts on the competitive teams. Such participation is, however, not required. B supports all team gymnasts to the full extent of its resources regardless of whether their parents are members or contributors.

#### 4. Bars to Exemption

Organizations seeking exemption under IRC 501(c)(3) and IRC 501(j) must also be otherwise described in those sections to qualify for recognition of exemption. Specifically, such organizations are subject to the inurement provision contained in Reg. 1.501(c)(3)-1(c)(2) and the prohibitions regarding operating for private rather than public purposes contained in Reg. 1.501(a)-1(d)(1)(ii). For an in-depth review of Inurement/Private Benefit issues, see the 1990 CPE page 16-71. In our consideration of dozens of applications over the past several years, we have found that some parent-supported organizations operate in such a manner as to defeat recognition of exemption by running afoul of these prohibitions. These groups have crossed the line from organizations supporting the promotion of national and international gymnastics competition to organizations primarily supporting their own children's gymnastics training.

Difficulty arises most often in clubs operated like Booster Club A. These booster clubs operate on the premise that all team members' parents are automatically members of the club and should help raise funds to support its activities. The philosophy is that if each member equally shares in the fund-raising, the burden will not be too great on anyone and the club will have sufficient funds to support its activities. The fear is that if participation in fund-raising events is optional, many members will choose not to participate. The burden will fall on the remaining few and ultimately will result in insufficient funds for the organization to conduct its activities.

For this reason, Club A requires its parent-members to participate in the fund-raising events in order for that member's gymnast to share in the distribution of raised funds. In effect, the gymnast is not permitted to compete for A unless the parent either raises a certain amount of funds through the fund-raising events, or pays up-front, the anticipated cost of participation in the programs. If the parent does not pay, the gymnast does not participate.

##### A. Inurement

The inurement proscription contained in Reg. 1.501(c)(3)-1(c)(1) states that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. GCM 39862 (11/22/91), presents the latest and clearest discussion of this inurement proscription along with a thorough discussion of the private benefit restrictions in the context of medical staff joint ventures with an exempt hospital. For further



discussion, see Evolution of the Health Care Field, in this CPE text. The rationale and discussion in the GCM presents a blueprint for our analysis of sports booster clubs as well.

As indicated in GCM 39862, the inurement proscription is aimed at preventing dividend-like distributions of charitable assets or expenditures to benefit a private interest. GCM 38459, (July 31, 1980), indicates that: "Inurement is likely to arise where the financial benefit represents a transfer of the organization's financial resources to an individual solely by virtue of the individual's relationship with the organization, and without regard to the accomplishment of exempt purposes."

The proscription applies to persons who because of their particular relationship with an organization have an opportunity to control or influence its activities. The parent members of these booster clubs are in a position to have such control over the activities of the club. They must be considered "insiders" for the purpose of determining whether there is inurement of income. The requirement that each parent-member participate in the fundraising activities in direct proportion to the benefits they expect to receive causes a direct benefit to flow to these parents. In fact, the earnings of the organization are being used directly and specifically to pay for benefits to specific individuals rather than to a class of competitive gymnasts as a whole.

Inurement of income is strictly forbidden under IRC 501(c)(3) without regard to the amount involved. Because the financing arrangements of clubs operated like A have the effect of permitting the earnings of the organization to inure to the benefit of specific insiders (the parents and their children), these organizations cannot qualify for exemption.

In Example 1, the owners of X Gym sit on the Board of Directors. Because they maintain a position of control in the booster club, they are also considered "insiders" for purposes of the inurement proscription. Club A has purchased equipment installed at X Gym that is used by the owners in their commercial business. This transfer of the organization's financial resources to the owners of X Gym is in violation of the inurement proscription and is also sufficient to defeat exemption.

## B. Private Benefit

Reg. 1.501(c)(3)-1(c)(1) indicates that an organization will not be exempt under IRC 501(c)(3) if more than an insubstantial part of its activities is not in

furtherance of an exempt purpose. Thus, an organization whose operations result in a private benefit that is more than insubstantial, will not be considered as serving an exempt purpose. This private benefit prohibition applies to all kinds of persons and groups, not just to those "insiders" subject to the more strict inurement proscription. This private benefit prohibition is broader in scope and overlaps the private inurement restriction to some extent, as in its coverage of "insiders." The two concepts, although clearly related, are not one and the same. Each proscription must be individually satisfied by organizations seeking recognition of exemption under IRC 501(c)(3).

The amount of private benefit that will be permitted depends on the magnitude of the private benefit in relation to the public benefit derived from the organization's activities and whether the private benefit is necessary in order to effectuate the organization's exempt purpose. To determine whether a private benefit from a particular activity is insubstantial and incidental in this context, it is necessary to balance the public and private interests being served. As explained in the 1990 CPE text at page 34, any private benefit from a particular activity must be incidental, in both a qualitative and quantitative sense, to the overall exempt purposes to be achieved. To be incidental in a qualitative sense, the private benefit must be unintentional and a necessary consequence of the activity being undertaken. Both Club A and Club B benefit all of the individual athletes and teams competing in the meets, the individuals on the sponsored teams, their parents, and to some degree the private facility owner. Each of these "private benefits" must be balanced against the exempt purposes being served by the club.

#### (1) Team Members and Competing Gymnasts at Sponsored Events

In all booster club situations, there is a class of individual athletes receiving benefits. The gymnastic booster clubs described in our examples provide direct benefits to sponsored competitive team members through the subsidization of certain expenses incurred in pursuit of the sport. They also provide direct benefits to all competitive gymnasts by virtue of their sponsorship of national and international competitions at the various skill levels. The gymnasts receiving such benefits are selected on objective criteria related to their athletic ability and not on the basis of their parents' membership in the booster club. When subjected to the public benefit analysis described above, it is clear that this type of private benefit is a logical consequence of the exempt activity of the organization. It is incidental in this context and not a bar to exemption.

## (2) Parent-members

The private benefits conferred on the parent-members in Example 1 are not incidental, they are intentional. It is clear in clubs adopting the "work and pay or don't play" method of funding their activities that the parent-members controlling the organization expect and receive direct benefits. Such organizations are, in effect, providing a cooperative funding mechanism for themselves in an effort to help pay the substantial costs of their children's competition. This type of cooperative endeavor is similar to the organization described in Rev. Rul. 69-175, 1969-1 C.B. 149, that provided bus transportation to and from the private school their children attended. In a manner similar to club A, the parents controlled the organization and provided themselves a service that fulfilled their individual responsibility to their children. Thus, in clubs like A, the scale is no longer in balance and we must conclude that the substantial private benefit to the parent-members negates the charitable intent and exemption under IRC 501(c)(3).

## (3) Private Facility Owners

Some direct benefit to the owners of private gymnastic facilities is also a logical consequence of the operation of these organizations. With competitive teams whose members are trained at its facility and competitive meets held at its facility, the for-profit gym's reputation is enhanced and the public is encouraged to patronize the facility. In the context of the purpose of the 1976 amendment to IRC 501(c)(3) and IRC 501(j), however, this intangible benefit received by gyms like X and Y is only incidental to the public purpose of furthering national and international sports. A conclusion that the private benefit is incidental finds support because there is strong reliance on the private sector to provide athletic facilities and training. Thus, the linkage of the booster club to a for-profit facility will not, in and of itself, be a disqualifying factor. It will, however, call for close scrutiny of all the activities of the booster club to assure that it does not actively benefit the for profit gym.

One factor to consider in the balance of the equation is the influence of the owners of the private facility over the operations of the booster club. An owner may retain a considerable degree of control even if he is not represented on the Board of Directors. Where the owners of the facility retain a substantial degree of control, the booster club may serve the purpose of promoting private business interests in a manner that is not a necessary consequence of the exempt activity. In Example 1, the owners of X Gym exercise a substantial degree of control through their positions on the Board as well as through their control of the competitive program. The intangible benefit of enhanced reputation added to the very direct benefit from A's sale of

merchandise with X's logo and purchase of equipment for use at X weight heavily in our conclusion that under these circumstances the association with the private facility results in more than an insubstantial private benefit to its owners. The owners of Y Gym, in Example 2, are also in a position to exercise some control over the operations of B through their control over the competitive program. B does not, however, sell merchandise that benefits Y or donate equipment to Y. The intangible private benefit of enhanced reputation that may accrue to Y is insufficient alone to tip the scale.

A separate problem exists for clubs, like A, that purchase equipment for use at the private facility in which their sponsored teams train. Purchasing such equipment for use by a non-exempt entity is not an exempt purpose. This conclusion is independent of any determination regarding the control of the facility owners. Such purchases, if more than insubstantial in nature, will result in a conclusion that a substantial purpose of the organization is benefitting a commercial enterprise and its operations are not exclusively charitable within the meaning of the Code.

### C. Conclusions with Respect to A and B

As a conclusion, we note that Club B in Example 2 will qualify for recognition of exemption under IRC 501(c)(3). B conducts its activities to benefit the entire class of competitive athletes without regard to parent participation. It is a "qualified amateur athletic organization" within the meaning of IRC 501(j)(2). Benefits will not be paid to athletes or received by parents by virtue of their standing as members of the booster club, but on the basis of athletic ability. In addition, using a private benefit analysis, we can conclude that the benefit anticipated by Congress, in the enactment of IRC 501(j)(2), to the public from encouraging public support for competitive athletic activities outweighs the private benefit to the parents of the athletes, to the athletes themselves, and to the for-profit owners of the facilities used by those athletes.

Club A, although it was created for the same purposes as Club B, cannot qualify for exemption because the method in which it operates results in the inurement of its income to its parent-members and to the owners of X Gym. In addition, Club A's activities result in substantial private benefit to both its parent-members and the owners of X Gym.

## 5. Other Types of Booster Clubs

This article has focused on athletic booster clubs supporting teams training in privately owned facilities. There are many other types of parent-controlled booster clubs in existence and because they are subject to the same restrictions and operational flaws, we will compare and contrast some of them here.

Based on our experience with applications we receive in the National Office, the most common type of parent-supported booster club is one that supports a public school band and music program. Similar to the band boosters, are the school math team boosters and sports program boosters. The key fact that distinguishes these organizations from the ones previously discussed is that the teams and programs supported are taking place in public facilities rather than in privately owned facilities. Participants in the programs are selected based on the objective and nondiscriminatory criteria set by the schools. The funds raised by the booster clubs are often turned over to the public facility which then exercises discretion over expenditures to benefit all participants. Where the booster clubs maintain control over the funds, they are often limited in the type of expenditures they may make on behalf of the participants. This element of public control removes much of the discretion evident in these types of private booster clubs. This often negates the elements of private benefit and inurement that frequently occur in the private arena.

Notwithstanding the element of control by the public facility, it is still necessary to scrutinize the facts of each case carefully to determine that there is no prohibited inurement or undue private benefit resulting from the organization's operations. Problems often arise when the benefits paid by the booster clubs are in the form of scholarships. If eligibility for a scholarship is dependent on a parent's participation in the booster club, this will result in prohibited inurement. Similarly, the organization's income will inure to private individuals where the amount of scholarship awards or payments is based on the number of hours devoted by the parent or participant to fund-raising activities.

## 6. Fund-Raising Issues

Having established exemption, booster clubs set out in search of funds to conduct their activities. In addition to initiation fees and dues, these organizations engage in substantial fund-raising activities. These fund-raising activities may impact on the organization's liability for tax under IRC 511 on its unrelated business taxable income and, in extenuating circumstances, may jeopardize the organization's tax exempt status. While these fund-raising issues are beyond the scope of this article, we

believe it is important to mention them. For an in-depth discussion of fund-raising issues, see The Fund-Raising Update, beginning on page 234 of the 1990 CPE and continuing on page 39 of the 1990 CPE update.

Both Club A and Club B sponsor gymnastic meets as a primary activity and fund-raiser. The competitions are, of course, related to their exempt purposes and funds generated through meet fees, admissions, and concessions will not ordinarily generate unrelated business taxable income.

In connection with the meets, a favorite fund-raiser is the sale of advertising in the meet programs. The sale of advertising for the purpose of generating income is unrelated to the organizations' exempt purposes and would, if not otherwise excluded, generate unrelated business taxable income. Most booster clubs rely heavily on volunteer labor which may result in the exclusion of this activity from the definition of unrelated trade or business under IRC 513(a)(1). For a more detailed discussion of the volunteer workers exception, see the 1982 CPE beginning on page 124. The sale of grocery store coupons, coupon books and other discount promotions as well as casino nights and auctions may raise questions concerning the taxability of the income produced, as may the presence of charitable gambling and bingo. For further discussion regarding charitable gambling, see page 292 of the 1990 CPE.

Organizations conducting such fund-raising events should be aware of not only the unrelated business income tax consequences of their activities but also their obligation to assist their donors in determining the proper tax treatment of their contributions. Such organizations, in advance of the sale or event, should determine the fair market value of the benefit received and state it in their fund-raising materials such as solicitations, tickets, and receipts, in such a way that donors can determine how much is deductible and how much is not.