University Athletics Fumble the Ball on Charitable Giving Rules

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Abstract

Taxpayers are, for the most part, philanthropic. Americans contributed more than $200 billion to nonprofit groups in 2005. University athletics is a popular beneficiary of charitable gifts from alumni and fans. A charitable contribution to an educational institution seems like it would be a fairly straightforward deduction since most educational institutions are qualified charitable organizations, and therefore a donation to such an organization would be tax deductible. However, when the donation provides the taxpayer with ticket rights, the Internal Revenue Code (Code) contains a provision that may limit a taxpayer’s deductible amount. This article presents the findings of a preliminary investigation into the compliance of provisions in Code Section (§) 170(l) regarding treatment of amounts paid to institutions of higher learning, specifically when the contribution allows for the right to purchase athletic tickets. The study found that, in the NCAA Division II conference investigated, that 70 percent of the universities offering ticket benefits did not provide adequate information to donors concerning the limitation on tax deductibility of their contributions.

Keywords: University athletics; charitable contributions; nonprofit groups; ticket benefits; educational institutions; IRC §170(l).

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