



A Professional Corporation

MEMORANDUM

TO: Karen Brust, City Manager
FROM: Leslie E. Devaney, City Attorney
RE: Charitable Contributions for Wayside Horn Improvements
DATE: December 20, 2010

Short Question

Are contributions to the City of Del Mar tax deductible?

Short Answer

Yes, under certain conditions.

Analysis

Charitable contributions are allowed as a deduction pursuant to IRS limitations and restrictions. Title 26, Section 170(c)(1) of the IRS Code defines "charitable contribution" to include the following:

"... [A] contribution or gift to or for the use of (1) a State, a possession of the United States, or any political subdivision of any of the foregoing United States or District of Columbia, but only if the contribution or gift is made for exclusively public purposes. . . ."

Local governments, including municipalities, are a "political subdivision" of the State for this purpose. It is the application of this section which results in the conclusion that the City of Del Mar is a qualified tax-exempt entity. To be deductible, a contribution must be made solely for public purposes.

Generally, contributors of \$250 or more to the City for a specific project may claim a deduction for the contribution after receipt of a written acknowledgment of the donation from the City. A form letter should be prepared for this purpose. A city may receive a letter ruling from the IRS (for a fee), but the ruling is not necessary for the deduction if the contribution otherwise qualifies.

The Wayside Horn Improvements are a public purpose and a donation to the City is deductible pursuant to 26 U.S.C. § 170(c)(1).

The City of Del Mar does not give tax advice other than the above information. IRS rules are complicated and individuals should consult with their tax advisors for details and verification of their status.

Conclusion

The City of Del Mar qualifies as a tax-exempt organization for donations to the City to be used for installation of Wayside Horn Improvements, pursuant to 26 U.S.C. § 170(c)(1). Individuals should consult their tax advisor.