

## SWEET ADELINES INTERNATIONAL CORPORATION

### Charitable Contributions and Deductible Expenses May 2008

PLEASE REFER TO IRS PUBLICATION 526 AND PUBLICATION 17 FOR ADDITIONAL INFORMATION  
<http://www.irs.gov>

Since Sweet Adelines International Corporation qualifies as a tax exempt 501(c)(3) educational organization, certain payments and expenses, paid by members in connection with activities of the organization may be deductible as charitable contributions or miscellaneous deductions on Schedule A of the 1040 income tax form.

Sweet Adelines International Corporation, in conjunction with the organization's accounting firm, has formulated some guidelines regarding the deductibility of expenses of members. The following guidelines are for United States members and provide general direction dependent upon the facts and circumstances of individual tax situations. Since each member is responsible for her own taxes, she may elect to use or not to use these guidelines at her own discretion. **Interpretation of tax laws vary among tax advisors as well as the Internal Revenue Service.**

Canadian members may be able to deduct contributions if Sweet Adelines International chapters are registered with Revenue Canada as a charitable organization.

#### **CHARITABLE CONTRIBUTIONS**

A charitable contribution is a donation or gift to or for the use of a qualified organization. It is voluntary and is made without receiving, or expecting to receive, anything of equal. The contribution must be made for use by the qualified organization and not set aside for use by a specific person.

If an individual expects to receive a benefit as a result of making a payment to the qualified organization, only the amount of the contribution that is **more than the value of the benefit can be deducted.** The distinction between a contribution and payment made in anticipation of a personal or economic benefit is frequently difficult to make. The fact that some form of incidental benefit is received does not necessarily mean that a gift has not been made. However, in order to qualify as a tax deductible contribution it must be shown that the individual's primary motivation was to make a gift for the benefit of the charity.

#### **Membership Dues**

Membership fees or dues may be deductible as a charitable contribution. Certain membership benefits can be disregarded if the annual payment to the qualifying organization is \$75 or less. However, you can pay more and deduct the difference between the amount given and the value of any benefits received.

Each chapter establishes its own dues structure and may include payment for international dues, regional assessments, costumes, music, or other benefits and privileges. To determine the amount that may be deductible, please ask for a breakdown of what is included in your payments.

## **DEDUCTIBLE EXPENSES**

Some **un-reimbursed** expenses paid by members in connection with activities of Sweet Adelines International may be deductible as a charitable contribution.

Examples provided by the Internal Revenue Service of un-reimbursed expenses that may be deductible are:

- the cost of a uniform (costume) that is not suitable for general use.
- transportation expenses and reasonable expenditures for meals and lodging while away from home in the course of performing *donated* services or *compulsory* attendance at competitions; only those expenses for the required stay may be deductible. Extra days for the purpose of pleasure or expenses for spouses or family members are not deductible.

### **Costumes**

The cost of costumes, shoes, and accessories that are not suitable for general use may be deductible as well as the cost of cleaning the costumes. Through the standing rules many chapters have restricted the use of costumes and accessories. This restriction is an excellent idea and, if need be, can help substantiate that costumes are not for general use.

### **Music**

The cost of music required by the chapter should be deductible. However, the cost of music purchased strictly for personal use or enjoyment is not deductible.

### **Mileage (Routine)**

Automobile expenses incurred in connection with rendering services to a charitable organization are deductible at a rate of 14 cents per mile. Additional deductions are allowed for parking fees and tolls, but not for gasoline, oil, depreciation, insurance or repairs.

Mileage to and from rehearsals is not likely to be deductible, but mileage to and from a public performance should be deductible. If you are an elected or appointed officer of a region or chapter and attendance is required at a meeting or event it should be possible to take the position that mileage is deductible.

### **Travel/Per Diem**

This area of deductible expenses is much more complicated and difficult to interpret. The number of variables and circumstances can make it difficult to determine the proper application.

Generally, a charitable contribution deduction for necessary travel expenses is allowed for a charitable organization only if there is **no significant element of personal pleasure, recreation, or vacation in the travel**. This applies whether you pay the expenses directly or indirectly.

The deduction for travel expenses may not be denied simply because you enjoy providing services to the charitable organization. Even if you enjoy the trip, you can take a charitable contribution deduction for your travel expenses if you are on duty in a genuine and substantial sense throughout the trip. However, if you have only nominal duties, or for a significant part of the trip you do not have any duties, you cannot deduct your travel expenses.

If a member provides services for Sweet Adelines International and receives a daily allowance to cover reasonable travel expenses, including meals and lodging while away from home overnight, the reported deductible expenses must be offset by the allowance. If the chapter or region partially funds these activities by providing an allowance, the chapter or region will also need to substantiate these expenses with receipts.

### **Conventions (Competition)**

As previously stated, deductible travel expenses are difficult to determine. Although the following guidelines are provided, the Internal Revenue Service may challenge the deductibility of expenses in such cases on the basis that these expenses are in the nature of a personal vacation and any benefit to Sweet Adelines International Corporation was only incidental. It would be difficult to support deductions claimed for any expenses that are not associated with an official activity of the organization.

If a member's chorus is required to compete, un-reimbursed expenses for travel and transportation, including a reasonable amount for meals and lodging, while away from home overnight in connection with the convention may be deductible. Personal expenses for sight seeing, theater tickets, or other pleasurable activities are not deductible.

A member attending regional or international conventions strictly as a member of the audience may not be able to deduct any of their expenses. However, if the member is also required to attend meetings or participates in educational classes, a portion of the costs may be deductible. The primary reason for attending the convention should be the determining factor.

### **NON-DEDUCTIBLE EXPENSES**

The following expenses are **not deductible**:

- Child care - The Internal Revenue Service will not allow deductions for child care expenses, even if they are necessary in order to do volunteer work for a qualified organization.
- Value of time or services - The value of income lost while you work as an unpaid volunteer for a qualified organization.
- Cost of meals - meals are not deductible while performing services for a qualified organization, unless it is necessary to be away from home overnight while performing the services.
- Raffles, bingo, lottery, etc. - The amounts paid to buy raffle or lottery tickets or to play bingo are not deductible as a charitable contribution.

As stated earlier, the purpose of this memorandum is to provide guidelines as to the deductibility of expenses. Because individual facts and circumstances vary, it is impossible to provide hard and fast rules that apply in all cases. In certain situations there may be no clear answer as to the treatment of a particular expense. Therefore, each member is encouraged to consult with her own tax advisor regarding the tax treatment of specific expenses. If you still have questions or seek additional information, consult the local Internal Revenue Service or the Director of Finance & Administration at the following address:

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(918)622-1444  
1-800-992-7464  
e-mail: [donna@sweetadelneintl.org](mailto:donna@sweetadelneintl.org)

## THINGS TO REMEMBER IF YOU DEDUCT SWEET ADELINES INTERNATIONAL EXPENSES

- The best course of action for volunteers is to keep records of all expenditures incurred. Expenses should be supported by receipts, canceled checks or other written evidence. In the absence of adequate records, the results become more uncertain. Estimates of tips and other small incidentals should be allowed as deductions . It is possible that other expenses for which no documentation exists may also be allowed, but this should not be relied upon. Claiming deductions without keeping any type of records can have serious consequences. If expenses are not substantiated, deductions may be disallowed and a negligence penalty may be assessed against the taxpayer for failure to keep proper documentation.
- Deductions can only be taken for un-reimbursed expenses. If expenditures exceed reimbursement, the additional expenses may be allowed as a charitable deduction. If reimbursements or allowances exceed expenditures or receipted expenses, the excess should be reported as taxable income.
- The amount of wages lost or child care expenses, while providing volunteer services in connection with Sweet Adelines International activities, is not an "expense" that may be used to offset any reimbursements that are received.