

## **Are direct donations to the library tax deductible?**

*Initial question for board member:* Are donations to the library tax deductible? Or does a donor need to go through a 501c3 organization? Does it make a difference if the library is a multijurisdictional service district library?

*Response from Tracy Cook, August 16, 2012*

Library board member, Barbara Ackerman, asked me to research the question of whether or not a donation made directly to the library is tax deductible. I am not a lawyer or a tax expert. It is always a good idea to consult professional accountants or lawyers in these situations. The slightest difference in how the library was created or the nature of the donation can change things dramatically. In reviewing the IRS publication about charitable contributions it does appear that donations made to the library can be tax deductible. However the governing structure of the Darby Community Public Library may require you to take an extra step to ensure that donors feel comfortable donating directly to the library. I will first address the issue of donations being deductible.

The Internal Revenue Service (IRS) has a publication about making donations that are deductible. This publication is called *Publication 526. Charitable Contributions*. It discusses what types of donations are deductible and what taxpayers must do in order to claim those deductions.

On page 3 of this publication it says that the United States, any state, and any political subdivision of a state are qualifying organizations. Donations made to governmental entities must be for a public purpose. It gives an example of donating money to the city police department as something that is deductible. This seems to indicate that donations to the library would be tax deductible.

You can find this publication online at: <http://www.irs.gov/pub/irs-pdf/p526.pdf>. It may be useful to review it to see examples of qualifying organizations as well as for more information about what donors need to do in order to claim their donation as a deduction.

Because the Darby Community Public Library is a multijurisdictional service district library (MJSD) formed under MCA 7-11-1102 it is more autonomous than a regular city or county library. In other MJSD libraries in Montana the city may handle payroll and accounting for the library, but the library is considered a separate entity. I wondered if this would make a difference for donors so I researched this particular piece.

While researching government entities I found reference to a "Governmental Information Letter." This letter is created by the IRS and can be given to donors to reassure them that an entity is eligible for charitable contributions. This letter may be an option for your library. It is more informal than a tax exempt ID yet it conveys the information that most donors need. You can learn more about this letter at: <http://www.irs.gov/govt/fslg/article/0,,id=112708,00.html>.

The website has a link to the procedures that need to be followed in order to obtain this letter. According to what I read on the IRS website governmental entities are tax exempt and therefore donations are tax deductible under Section 170(c)(1).

It does look like donations to the library are tax deductible. You may not even have to acquire the Governmental Information Letter. However doing so may give the donor more confidence about their donation being tax deductible.

If you have any questions or would like me to research this issue in greater detail please let me know.