

## SIGNATURE EVENT SPONSORSHIP PAYMENT FAQs

There are important implications around using alternative payment options (specifically Donor Advised Funds and Private Foundations) that we hope to address with these Frequently Asked Questions to remove any confusion around Children's Hospital Colorado Event Sponsorships and payment.

These FAQs should not be interpreted as tax advice. A donor should consult with their tax advisor before making any payments out of their donor advised fund or private foundation.

### Are sponsorships of Children's Hospital Colorado Foundation signature events refundable?

No. However, should circumstances beyond our control force event format or benefits to shift, we will always partner with our committed sponsors to ensure their gift is redirected to support their intentions.

### Can I sponsor with money from my Donor Advised Fund (DAF)?

Yes, however we don't recommend it unless whoever funded the DAF is not attending the event in-person and will not receive a benefit that is more than insubstantial from their DAF's payment. If the individual(s) who have funded the DAF will not receive a benefit, they may use a DAF distribution to support the event sponsorship cost in full.

Please see below for the quoted text from IRS Notification 2017-73:

"The Treasury Department and the IRS currently agree that the relief of the Donor/Advisor's obligation to pay the full price of a ticket to a charity-sponsored event can be considered a direct benefit to the Donor/Advisor that is more than incidental... [A] distribution that results in a more than incidental benefit [may result in the] application of excise taxes."

Due to the above, the Foundation's practice is that donors need to personally pay for the face value of the tickets in addition to their DAF distribution toward the full price of the sponsorship if they are attending the event.

### Can I sponsor with money from my Private Foundation?

If a donor wants to pay for an event sponsorship through a private foundation, the private foundation's disqualified persons cannot receive any benefits from the sponsorship. It is up to the private foundation to know who their disqualified persons are; however, such persons generally include those who have made substantial contributions to the private foundation &/or serve in leadership positions at the private foundation, including on its board or as staff.

If a disqualified person wants to attend an event that their private foundation is sponsoring, they need to purchase their own tickets personally at full face value. And it is best if they do not sit at the table that was purchased by their private foundation so that it could not be construed that they received any benefit from the sponsorship.

There is an exception for disqualified persons attending an event where they are performing a business function for the private foundation such as receiving an award on behalf of the private foundation or monitoring the use of funds that the private foundation provided to the charity. It is the donor's responsibility to prove that exception.

Private foundations cannot pay pledges that are made by one of their disqualified persons.

## **If a pay for a sponsorship out of my IRA, is it considered a Qualified Charitable Distribution (QCD)?**

The donor should consult with their tax advisor as there are age, amount and net taxable income considerations involved in determining whether a distribution from an IRA to a charity may be considered a QCD. Assuming the other criteria are met, per IRS Publication 590-B, the amount of the QCD is limited to the amount of the distribution that would otherwise be included in income. As such, if the distribution from the IRA includes nondeductible contributions (e.g., benefits), the distribution is first considered to be paid out of otherwise taxable income. The donor should consult with their tax advisor as to how this should be reported in their annual tax filings.

## **Can I sponsor with money from my trust?**

There are numerous ways in which trusts may be established and governed. The donor should consult with their tax advisor before making a payment out of their trust.

## **If I am personally paying for tickets to attend along with my sponsorship alternative payment, is there a quantity requirement or restriction?**

If a donor wants to purchase tickets for the full-face value to attend an event that they are sponsoring with funds through a DAF or Private Foundation, they may purchase up to as many seats/individual tickets that are included in the sponsorship. Any unused seats at the table will be resold to individual ticket purchasers.

### **HAVE ADDITIONAL QUESTIONS OR NEED MORE INFORMATION?**

Contact us at [Sponsorships@childrenscoloradofoundation.org](mailto:Sponsorships@childrenscoloradofoundation.org).