Determining tax deductibility and fair market value may seem a bit confusing at first but, to keep it simple, just remember that all contributions to a 501(c)3 are tax-deductible. If a supporter is getting something of value, and they give the nonprofit the same amount of money as they would normally pay for that item or service at a store, then that transaction is not tax-deductible. They have to pay above the commercial value for them to be able to write it off.

The IRS only allows a charitable deduction when a payment to a charity exceeds the "Fair Market Value" (FMV) of the goods or services received, otherwise, there is no gift. Whether you’re figuring out if an item has an insubstantial value or if you’re trying to inform a donor about how much they may legally deduct as a donation, you must be able to determine the fair market value. Generally, the charity’s good faith estimate of the value of goods or services will be treated as the FMV, and a donor will rely on your estimate except when the donor knows your estimate is unreasonable. Rather than give an abstract procedure to use, here are some examples.

**Events**

The first thing to remember is that FMV is not the cost to your organization. If you’re running a dinner-dance as a fundraising event and space, flowers, food, printing, and music are all donated, the FMV is not zero. The FMV is estimated at how much that evening would cost someone if he or she were to go out and purchase a similar evening of dinner and dancing at a commercial establishment.

**EXAMPLE**

Let’s say the commercial cost of an entire event is $10,000 and you are expecting 100 attendees. That means each attendee would normally pay $100 to go to this type of event. Well, if you charge $200/ticket, then the tax-deductible amount is 50%. If you charge $100/ticket or less, the tax-deductible amount is 0%
**Auctions**

Auctions are tricky. If there is a catalog produced and distributed to potential bidders before the auction, and the catalog or list includes the organization’s estimates of FMV, then the general rule applies - the purchaser may deduct as a charitable donation the amount paid above the stated FMV of the items. However, if there is no prior notice or estimate of the value of the item, the IRS may assume that the FMV of the item is what was paid for it and none of the payment will be considered as a gift.

**EXAMPLE**

Let's say the commercial cost of an item is $1,000. Well, if the auction was won with a $2,500 bid, then the tax-deductible amount is $1,500 or 60%. If the auction was won with a $1,000 bid or less, the tax-deductible amount is 0%.

All your organization has to do is figure out the commercial value of what is offered, then divide that number by the amount of participants to calculate a per participant commercial value. Anything above that number is tax-deductible. To find the tax-deductible percentage, you can use this formula: (Per participant commercial value) / (the per unit cost to the supporter) = Tax deductible percentage

**NOTE:** >1 = 0% tax deductible

In the Flipcause campaign and tool settings, there is a space (except in the Donation tool, which is percentage-based) to enter the FMV of the item or service offered, which will automatically calculate the tax-deductible amount in the supporter's automatically-emailed receipt. Tax-deductible amount = Amount or price paid - Fair Market Value