

MEMORANDUM

TO: Development Office

FROM: Elizabeth R. Salasko, Esq.
Associate General Counsel

DATE: October, 2008

SUBJECT: **Contributions to the University for the Benefit of Fraternities/Sororities**

The purpose of this memo is to provide information regarding the deductibility of gifts to the University which may, directly or indirectly, benefit fraternities or sororities.

Typically, undergraduate fraternities and sororities qualify under Section 501(c)(7) of the Internal Revenue Code as tax-exempt social clubs. Contributions directly to these fraternities and sororities are not eligible for the federal income tax charitable deduction. In addition, a gift to the University which is “earmarked” or restricted for use by a fraternity or sorority is not deductible.

There are two situations in which a donor may make a gift to the University and receive a charitable contribution deduction, where the gift benefits the University and (indirectly) a fraternity or sorority:

Qualifying House Renovations. A donor may make a gift to the University with a preference for the gift to be used for fraternity or sorority house renovations, and a charitable contribution deduction will be allowed if all of the following conditions are met:

1. Ownership of the donated asset changes hands from the donor to the University.
2. The University owns the fraternity or sorority house outright. There are a number of fraternities whose house ownership is defined by reversionary agreements between the University and the alumni house corporation. Donors should be made aware that the deductibility of contributions to the University which are used for the renovation of reversionary houses is not certain.
3. The donor's preference that the funds be used for fraternity or sorority renovations must not be binding on the University.
4. Undergraduate students of the University must live in the fraternity or sorority house.
5. The University must control the scope of the renovations.
6. If the University leases the facility to the fraternity or sorority, the lease must be short-term.

Contributions for Educational Space. Contributions with a preference for house/educational purposes, such as the GreekNet (internet wiring within the houses) project, computer labs or libraries within the houses which are separate facilities (segregated from social facilities) and used only for educational purposes are generally deductible regardless of the University's ownership interest in the fraternity or sorority house. This area of the tax law has been inconsistent, and fundraisers are advised to seek an update from the Office of General Counsel when negotiating such gifts.

All other contributions for the benefit of a fraternity or sorority (for social, educational or other purposes) are not deductible, and will not be accepted by the University.

In all cases, donors should be encouraged to consult with their tax advisors regarding the deductibility of their gifts.