

## Gift-in-Kind Procedures

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- I. Introduction

- A. Gifts-in-Kind (“GIK”) support the mission of the University of Hawai‘i system (“UH”) and enhance the quality of the education offered to its students. Donors of gifts-in-kind have a significant impact on the future of the University of Hawai‘i system. One of the primary goals of the following procedures is to help facilitate the university School/College/Unit to accept a gift-in-kind and to ensure that the University of Hawai‘i Foundation (“UHF”) appropriately recognizes the donor’s gift.
- B. Gifts-in-kind generally fall into two categories.
  - 1. The first category consists of tangible assets. This includes such items as materials, equipment, software, printed materials, long lived assets, food or other used for hosting dinners. These items are potentially tax deductible to the donor and can be counted in the Foundation’s fundraising totals.
  - 2. The second category of gifts-in-kind consists of contributed services. This includes such items as personal time (i.e. consulting and volunteer time) and use of facilities (i.e. use of a condominium or office space). The value of these items is not tax deductible by the IRS and not in counted in the Foundation’s fundraising totals.
- C. This procedure outlines the handling of gifts-in-kind that are to be retained for use by UH. It does not apply to gifts-in-kind that are to be sold.
- D. UHF does not give legal or tax advice. If a donor has questions regarding to the charitable deduction amount, the donor should be instructed to consult with his/her own tax advisor.

- II. Tangible Gift-in-Kind Procedures

- A. Gifts-in-kind with a Value of \$5,000 or more
  - 1. Charitable Deduction Requirements
    - a. If a donor intends to claim a tax deduction for a non-cash gift with a value of \$5,000 or more, he/she must submit an IRS Form 8283, accompanied with an appraisal executed by a qualified independent appraiser.
    - b. The appraiser cannot be the donor or the donee (UH or UHF).
    - c. The appraisal cannot be made earlier than 60 days prior to the date of the gift.
    - d. The donor is responsible for obtaining any required appraisal and the appraiser's signature on Section B of Form 8283. An official of the University of Hawai‘i must also sign Form 8283 to acknowledge receipt of the item. That official will generally be the Fiscal Officer of the School/College/Unit receiving the non-cash gift. Please note that the signature of the Fiscal Officer on the form does not represent concurrence in the appraised value of the contributed item.
    - e. The original Form 8283, a copy of the appraisal, Transmittal for Non Cash Gifts, and other pertinent documents should be sent to UHF.
    - f. UHF will review the information, make copies, and send the original Form 8283 to the donor with an acknowledgement letter.



- c. In some cases the donor does not need a charitable contribution and is not required by the IRS to complete a Form 8283. A typical example would be corporations or other businesses making a gift-in-kind, which they produced or manufactured. In these cases, appropriate documentation might include an itemized inventory list, an invoice or letter, or published information on the value of the items in order to be counted.

C. Additional Procedures for Gifts-in-Kind valued at \$1,000 or more.

1. If the donated property meets the capitalization criteria set forth in UH Administrative Procedures Manual A8.550, entitled Capitalization, UHF shall forward the Transmittal for Non Cash Gifts to UH's Property & Fund Management Office (PFMO) for recordation of the property in the University of Hawai'i's inventory.
  - a. Tangible non-expendable personal property having a useful life of more than one year, and an acquisition cost of \$5,000 or more.
  - b. Property, regardless of cost, which is accountable to the university under the provisions of an extramural award.
  - c. Theft sensitive personal property with a useful life of more than one year and an acquisition cost of at least \$1,000, but less than \$5,000 per unit.
    - i Fax machines
    - ii Microscopes and balances
    - iii Television sets, audiovisual recorders/players, cameras
    - iv Computers, printers, monitors, scanners
    - v Works of art
  - d. Collections maintained by libraries.
  - e. Software with a unit acquisition cost of \$25,000 or more per unit.
2. PFMO will return a signed copy of the Transmittal for Non Cash Gifts to UHF as a confirmation of the recordation.

D. Gifts-in-kind with Value Between \$250 and \$499

1. Charitable Deduction Requirements
  - a. If a donor intends to claim a tax deduction for a contribution of \$250 or more he/she must obtain a written acknowledgement in order to take a charitable deduction.
  - b. The university School/College/Unit accepting the GIK should submit the Transmittal for Non Cash Gifts, and other pertinent documents in order for the Foundation to generate a written acknowledgement.
  - c. UHF's Office for Donor Relations will prepare an acknowledgement letter to the donor. GIK acknowledgements will only include the description of the item with no value stated.
2. Gift Counting
  - a. Any gift-in-kind with a value in the range of \$250 to \$999 from the donor will be recorded on the Foundation's system as the reasonable value of the gift-in-kind.
  - b. A guideline for appropriate documentation would be what is considered by the IRS in order to obtain a deduction.

E. Gifts-in-kind With a Value Under \$250

1. The Foundation has established a minimum value for gifts-in-kind to be recorded on the Foundation's system of \$250. The School/College/Unit accepting the gift is encouraged to acknowledge the gift, but no gift-in-kind paperwork is required. When acknowledging GIKs, the School/College/Unit should not include any value in the letter.

### III. Special Types of Gift-In-Kind Contributions

#### A. Automobiles

1. Gifts-in-kind of automobiles to be used by the university should be in compliance with university requirements. Please see the appropriate university department or unit for further details.
2. The Foundation may help facilitate the transfer of the automobile to the university.
3. Gifts-in-kind of automobiles to be sold should be received and sold through Kokua-in-Kind for the benefit of the university. Proceeds from the sale may be deposited into a Foundation account and the gross sale cash price will be recorded as a gift.
4. Kokua-in-Kind phone number: (808) 834-6603.

#### B. Software

1. Software gifts that serve the academic or research purpose of the university are considered a charitable gift depending upon the agreement. The agreement between the donor and the university will be used to determine whether they are gifts or exchange transactions according to the IRS.
2. Gifts of software will be recorded at the educational discount value documented in writing by the donor. If no educational discount is available, the established retail value will be used.
  - a. Recommended Documents to be attached to the Transmittal for Non Cash Gifts
    - i. A letter from the donor on company letterhead documenting the dollar value of the software, including a statement of the educational discount value if it is available.
    - ii. A specific description of the software including the number and type of licenses (individual license, site license, etc.) and the stated value for each license.
3. The donor must irrevocably transfer ownership of the software license to the institution. This is best accomplished by having a written communication from the donor. If use of the software license must be renewed at a later date, the transaction is not considered a gift under IRS standards.
4. A gift of software can only be counted in the year that the gift is originally given. If free upgrades are given at a future date which have a higher established retail value, then the difference between the new retail value (less educational discount) and the original retail value (less educational discount) is countable as an additional gift.

#### C. Royalties

1. Gifts of royalties from property not owned by UH or UHF that was not counted at the time of the gift (i.e. could not be valued) will be counted each time a royalty payment is actually received.
2. A contribution to a qualified charity of a license to use a patent is not tax deductible to the donor if the donor retains any substantial right in the patent.

D. Contributed Services

1. Based on Council for Advancement and Support of Education (“CASE”) and Financial Accounting Standards Board (“FASB”) guidelines and IRS regulations, contributed services are not considered charitable contributions and will not be included in the Foundation’s annual fundraising totals.
2. Services requiring specialized skills may be eligible for recognition credit. This includes services provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen.
3. Contributions of broadcast time and newspaper space are also considered contributed services and are eligible for recognition credit only.
4. Use of real property is considered contributed services and is eligible for recognition credit only.
5. Restaurants or other businesses that provide catered food for events can only deduct the cost of food not the “service” as a charitable contribution.
6. One acceptable option for volunteers who provide professional services to the university is to bill for the service, accept payment for services, and then make a cash gift through the Foundation.
7. To report contributions of services for recognition credit, please complete the UHF GIK form.

E. Other Items Not Considered Charitable Contributions

1. Based on the CASE and FASB guidelines and IRS regulations, the following types of in kind contributions are not considered charitable contributions and will not be included in the Foundation’s annual fundraising totals:
  - a. Costs of appraisal
  - b. Shipping costs
  - c. Sales tax