May 22, 1986

TO: Vice Presidents, Deans, Directors and Department Chairs

FROM: Gail Fullerton


BACKGROUND

The Federal Tax Reform Act of 1984 (the "Act") contains provisions which change the reporting requirements for persons making charitable contributions and for a donee organization which accepts noncash contributions. Accordingly, I have determined that the following procedures are necessary in order for the University to be in compliance with the Act.

NONCASH GIFT PROCESSING

The Act requires a donee organization to process noncash gifts (equipment, supplies, software, patents, copyrights, nonpublicly held stock, books, artistic works, and real property) within certain time limits. Failure by either the donor or the donee organization to meet the documentation and submission deadlines of the Act may result in a disallowance of the donation by the Internal Revenue Service or an assessment of financial penalties against the donee organization.

In order to meet the various requirements of the Act, you and other University officials are responsible for assisting me in administering the gift regulations of the CSU Trustees and the Act.

OFFER OF NONCASH GIFT TO THE UNIVERSITY

When a donor offers a noncash gift to the University, please contact the Director of Logistical Services (non-Library gifts) or the Director of the Library. They will assist you in preparing the necessary documentation required to accept the gift.

If the gift is valued at $500 or more, Part I of Form 8283 must be completed as illustrated on the attached sample. Please note that I will sign the Form.
Presidential Directive 86-02
May 22, 1986
Page Two

The Director of Logistical Services or the Director of the Library will forward Form 8283 to the Director of Development for additional processing and preparation of my letter accepting the noncash gift on behalf of the Trustees as required by Section 42300 et seq., Title 5, Administrative Code.

When a noncash gift is valued at $5,000 or more, the donor must obtain, at his/her expense, an appraisal of the gift. The appraiser must complete Part III of Form 8283.

Form 8283 does not have to be completed when a donor offers nonpublicly traded stock whose current market value is $10,000 or less.

SALE OF GIFT

If the University sells the donor's noncash gift within two years after accepting it, the Director of Logistical Services must complete Treasury Form 8282, "Donee Information Return." Both the donor and the IRS must receive a copy of this Form. Please see the attached sample.

Completion of this document and its retention for IRS audit purposes will require the University to keep detailed information about when the noncash gift was sold, when the gift was contributed, exchanged or traded, and the amount received.

SUMMARY

Compliance with the 1984 Federal Tax Reform Act will require your cooperation and willingness to provide complete information about the donor and the proposed noncash gift.

The Director of Development has overall responsibility for coordinating and interpreting the Federal Tax Reform Act's gift processing requirements.

Attachments
**Section A.**—Contribution of property if the total claimed value of all property contributed exceeds $500. (If the value of one item or group of similar items, other than publicly traded securities, exceeds $5,000, complete only Section B for that property.)

**Part I Information on Donated Property**

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<td>(b) Description of donated property (attach a separate sheet if more space is needed)</td>
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(c) Date of the contribution | (d) Date acquired by donor (mo. yr.) | (e) How acquired by donor | (f) Donor’s cost or adjusted basis | (g) Fair market value | (h) Method used to determine the fair market value |
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**Part II Other Information**—Complete questions 2 and 3 only if you gave less than the entire interest in property or if restrictions were attached to the contribution:

2 If less than the entire interest in the property is contributed during the year, complete the following:

(a) Total amount claimed as a deduction for the property listed in Part I for this tax year for any prior tax year(s) ____________________________

(b) Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above).

Charitable organization (Donee) name ____________________________________________

Number and street ____________________________________________________________

City or town, state, and ZIP code ____________________________

(c) The place where any tangible property is located or kept ____________________________

(d) Name of any person, other than the donee organization, having actual possession of the property ____________________________

3 If conditions were attached to the contribution, answer the following questions:

(a) Is there a restriction either temporarily or permanently on the donee’s right to use or dispose of the donated property? Yes No

(b) Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire? Yes No

(c) Is there a restriction limiting the donated property for a particular use? Yes No

For Paperwork Reduction Act Notice, see separate instructions.
Section B. Appraisal Summary—Contribution of property if the claimed value of one item or group of similar items exceeds $5,000. (Report contributions of publicly traded securities only in Section A.)

Part I Donee Acknowledgement (To be completed by the charitable organization)

1 This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Part II on 

(Date) 

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property (or any portion thereof) within two years after the date of receipt, it will file an information return (Form 8282, Donee Information Return) with the IRS and furnish the donor a copy of that return. This acknowledgement does not represent concurrence in the claimed fair market value.

Charitable organization (Donee) name 

Employer identification number 

Number and street 

City or town, state, and ZIP code 

Authorized signature 

Title 

Date 

Part II Information on Donated Property (To be completed by the taxpayer and/or appraiser)

2 (a) Description of donated property (attach a separate sheet if more space is needed) 

(b) Date acquired by donor (mo. yr.) 

(c) How acquired by donor 

(d) Donor’s cost or adjusted basis 

(e) Appraised fair market value 

3 If tangible property was donated, a brief summary of the overall physical condition of the property at the time of the gift. 

Part III Certification of Appraiser (To be completed by the appraiser of the above donated property)

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by or related to any of the foregoing persons, or a person whose relationship to any of the foregoing persons would cause a reasonable person to question my independence as an appraiser.

Also, I declare that I hold myself out to the public as an appraiser and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify the appraisal fees were not based upon a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this appraisal summary may subject me to the civil penalty under section 6701(a) (aiding and abetting the understatement of tax liability). I affirm that I have not been barred from presenting evidence or testimony by the Director of Practice.

Please sign here 

Signature 

Title 

Date 

Business address 

City or town, state, and ZIP code 

Identification number
SAMPLE FOR GIFTS VALUED IN EXCESS OF $5,000
APPRAISAL REQUIRED

Section B.—Appraisal Summary—Contribution of property if the claimed value of one item or group of similar items exceeds $5,000. (Report contributions of publicly traded securities only in Section A.)

**Part I Donee Acknowledgement (To be completed by the charitable organization)**

1. This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Part II on May 20, 1986.

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property (or any portion thereof) within two years after the date of receipt, it will file an information return (Form 8282, Donee Information Return) with the IRS and furnish the donor a copy of that return. This acknowledgement does not represent concurrence in the claimed fair market value.

Charitable organization (Donee) name:
San Jose State University
Number and street: 1 Washington Square
City or town, state, and ZIP code: San Jose, California 95192
(Signature of President) President
Authorizing signature: May 22, 1986
Title: Date:

**Part II Information on Donated Property (To be completed by the taxpayer and/or appraiser)**

2. (a) Description of donated property (attach a separate sheet if more space is needed)
   (b) Date acquired by donor (mo., yr.)
   (c) How acquired by donor
   (d) Donor's cost or adjusted basis
   (e) Appraised fair market value

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Date</th>
<th>Acquired</th>
<th>Cost/Basis</th>
<th>Appraised Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Model 88 Laser Printer</td>
<td>March 1985</td>
<td>Purchase</td>
<td>$7,548.22</td>
<td>$9,450.00</td>
<td></td>
</tr>
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</table>

3. If tangible property was donated, a brief summary of the overall physical condition of the property at the time of the gift.

   Excellent condition

**Part III Certification of Appraiser (To be completed by the appraiser of the above donated property)**

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by or related to any of the foregoing persons, or a person whose relationship to any of the foregoing persons would cause a reasonable person to question my independence as an appraiser.

Also, I declare that I hold myself out to the public as an appraiser and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify the appraisal fees were not based upon a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this appraisal summary may subject me to the civil penalty under section 6701(a) (aiding and abetting the understatement of tax liability). I affirm that I have not been barred from presenting evidence or testimony by the Director of Practice.

Principal Appraiser: John Jones
Signature: Principal Appraiser: April 10, 1986
Title: Identification number: 12 Smith Street, Los Gatos, California 95030
Business address: 999-8
City or town, state, and ZIP code
**Noncash Charitable Contributions**

**Section A.** Contribution of property if the total claimed value of all property contributed exceeds $500. (If the value of one item or group of similar items, other than publicly traded securities, exceeds $5,000, complete only Section B for that property.)

**Part I. Information on Donated Property**

| A | San Jose State University | One Executive Desk, Walnut
| B | 1 Washington Square | 100 %
| C | San Jose, Ca. | 11/2/86
| D | | 1
| E | | 0.5

| (c) Date of the contribution | Apr 1, 1986 | (d) Date acquired by donor (mo., yr.) | Mar 4, 1985
| (e) How acquired by donor | Purchase | | 
| (f) Donor's cost or adjusted basis | $3,000.00 | | 
| (g) Fair market value | $4,500.00 | |
| (h) Method used to determine the fair market value | Retail Catalog |

**Part II. Other Information**—Complete questions 2 and 3 only if you gave less than the entire interest in property or if restrictions were attached to the contribution.

2 If less than the entire interest in the property is contributed during the year, complete the following:

(a) Total amount claimed as a deduction for the property listed in Part I for this tax year __________________________;

(b) Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above).

Charitable organization (Donee) name

Number and street

City or town, state, and ZIP code

(c) The place where any tangible property is located or kept __________________________.

(d) Name of any person, other than the donee organization, having actual possession of the property.

3 If conditions were attached to the contribution, answer the following questions:

(a) Is there a restriction either temporarily or permanently on the donee's right to use or dispose of the donated property? **Yes**

(b) Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire? **Yes**

(c) Is there a restriction limiting the donated property for a particular use? **Yes**

For Paperwork Reduction Act Notice, see separate instructions.
Donee Information Return
(Sale, Exchange, or Trade of Donated Property)

Charitable organization (donee) name: SAN JOSE STATE UNIVERSITY
Employer identification number: 94-6001347
Number and street: 1 Washington Square
City or town, state, and ZIP code: San Jose, California 95192
Name of donor(s) who contributed the gift: N. Donor
Donor identification number: 999-99-9999

<table>
<thead>
<tr>
<th>(a) Description of donated property sold, exchanged, or traded</th>
<th>(b) Date item(s) contributed</th>
<th>(c) Date item(s) sold, exchanged, or traded</th>
<th>(d) Amount received</th>
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<tbody>
<tr>
<td>1 Model 88 Laser Printer</td>
<td>May 20, 1986</td>
<td>June 1, 1986</td>
<td>$9,600.00</td>
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Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

New Law.—The Tax Reform Act of 1984 (P.L. 98-369) requires the donee of any charitable deduction property who sells, exchanges, or otherwise disposes of the property within two years after the date of receipt of the property to file the information shown on this return with the Internal Revenue Service.

Charitable Deduction Property.—The term "charitable deduction property" means any property (other than money or publicly traded securities) contributed after December 31, 1984, with respect to which the donee signed Form 8283, Noncash Charitable Contributions Appraisal Summary.

When to File.—Form 8282 must be filed with the IRS within 90 days after the donee disposes of the property. Also, the donee must send a copy of this form to the donor.

Where to File.—File this form with the Internal Revenue Service Center in Cincinnati, OH 45944.

Penalties.—Failure to file this information return and failure to furnish a copy of this return to the donor will make the charitable organization liable for a $50 penalty for each failure. See sections 6652, 6676, and 6678 of the Internal Revenue Code.
SAMPLE LETTER

Date

S. J. Donor
111 Main Street
Anywhere, USA

Dear Mr. Donor:

Thank you for your recent offer of to San Jose State University.

The federal government encourages your generosity by allowing you to deduct your gift on your income tax return. However, you must follow the IRS's reporting rules to assure your charitable deduction. This letter highlights the IRS's requirements.

We have enclosed a copy of the IRS Form 8283 (Noncash Charitable Contributions) and its instructions. We hope they will be helpful to you and your tax advisor in preparing your tax return. The enclosed form is the latest available today. Before filing your income tax return, we suggest that you and your advisor check the IRS's latest forms and instructions for any last minute changes.

Completing Form 8283. For property contributions valued over $500 but not more than $5,000, complete Section A of Form 8283. When the value is more than $5,000, Section B must be completed. You also must complete Section B if the total value of all "similar items or property" (defined later) that you contributed to San Jose State University during the year exceeds $5,000.

If you claim an income tax charitable deduction over $5,000 for a gift of property (other than publicly traded securities), the IRS requires you to obtain a "qualified appraisal" and attach an "appraisal summary" to the income tax return on which you claim the deduction. Less stringent reporting rules (no appraisal required) apply to publicly traded securities and to property gifts worth more than $500 (up to $5,000).

Special rule for publicly traded securities. When the claimed value of donated publicly traded securities exceeds $500, complete Section A of Form 8283 and attach the form to your return. Report those gifts on Section A even if their total value exceeds $5,000.

These rules apply to gifts by individuals, closely held corporations, personal service corporations, partnerships and S corporations.
"Qualified appraisal." To be "qualified," an appraisal must be made no earlier than 60 days before the date of your gift and be prepared, signed and dated by a "qualified appraiser" (defined later). You must receive the appraisal, says the IRS, before the due date (including extensions) of the income tax return on which you claim your deduction. If you do not have the appraisal before the due date, talk to your advisor about getting an extension of time to file your return. Or consider claiming your deduction on an amended return (after you have the appraisal).

Appraisal summary. The appraisal summary must be on Form 8283 (enclosed), signed by the appraiser and by the President of San Jose State University. It is essential to attach the summary to your tax return. Here, too, if you do not have an appraisal summary, talk to your advisor about obtaining an extension of time to file your return or claiming the deduction on an amended return (when you have the summary).

Qualified appraiser. The definition is critically important—a donor who fails to use a qualified appraiser will not, says the IRS, be entitled to a deduction for gifts of property valued over $5,000.

To be a qualified appraiser: (1) an individual must hold himself out to the public as an appraiser and, (2) the appraiser must state qualifications in the appraisal showing that he is qualified to appraise the type of property being valued.

The IRS says that the following persons can never be qualified appraisers: (1) you, the donor; (2) a party to the transaction in which you acquired the property being appraised, unless you donate it within two months of purchase and the appraised value is not higher than you purchase price; (3) the University; (4) any person employed by (or related to) any of the foregoing; and (5) any person whose relationship to any of the individuals just listed would cause a reasonable person to question the appraiser's independence.

Appraisal fee. Generally, no part of the fee you pay for a qualified appraisal can be based on a percentage of the property's appraised value. However, this rule does not apply in some cases to appraisal fees paid to a generally recognized tax-exempt association that regulates appraisers.

"Similar items of property." The IRS defines this as property of the same generic type, including stamps, coins, paintings, lithographs, books, stock, land and buildings. For example, if you have six paintings worth $1,000 each and contribute one to each of six charitable organizations, you are deemed to have given property that has a claimed value over $5,000. So the appraisal, appraisal summary and other reporting requirements would apply.
Special rule for closely held stock. If you claim a charitable deduction for closely held stock worth more than $5,000 but not more than $10,000, the appraisal rules do not apply. But you must still fill out Section B of Form 8283 (Parts I and II), have it signed by the President of San Jose State University and attach it to your tax return. Even though an appraisal may not be required for your deduction in some cases, you still might need an appraisal to convince the IRS of its value if you return is audited. The IRS asks on Form 8283 how you valued your gift.

Reporting by San Jose State University. If your property gift is subject to the appraisal summary rules, the IRS requires that the University notify you and the IRS if we sell or otherwise dispose of it within two years after accepting your gift.

The rules described in this letter and in the instructions to Form 8283 also apply to charitable remainder gifts (e.g. unitrusts, pooled income funds) that are funded with property if the gift portion exceeds the $500 or $5,000 thresholds discussed earlier.

Again, San Jose State University is grateful for your interest in donating equipment that will enhance its instructional programs. If you are required to complete Section B, please return your completed Form 8283 to me at your earliest convenience.

Please let me know if I can be of any additional assistance in this matter.

Very Truly Yours,

Robert C. Ringe
Director of Development/University Relations

cc: Mr. James Hill, Director of Logistical Services