

GIFTS & DONATIONS

Gifts & Donations are provided to business owners for free. They do not have to be repaid. You do not have to give up shares in your company to get them.

GETTING GIFTS

Many entrepreneurs launch their businesses launch with money from friends and family. These donations are considered gifts. They are not tax deductible for the giver, and they may or may not be considered "income" to the business owner depending on where the business owner lives and how big the gift is.

GETTING DONATIONS

In the United States, businesses can accept tax deductible donations if they establish a "Fiscal Sponsorship" agreement with a registered charity.

Here's How It Works . . .

Many 503C charities have been established to support specific groups of people ranging from Filmmakers and Vets to Native Americans and Children.

These charities can, if they choose, set up a fiscal sponsorship with a "for profit" business which allows the charity to take donations on behalf of the business. The charity retains a tiny portion of the donation and passes the rest of the income on to the business.

For Example . . .

Let's assume ABC CHARITY is a non-profit dedicated to supporting people in the performing arts.

Let's assume that a filmmaker applies to ABC CHARITY for fiscal sponsorship, and gets approved.

After approval, the filmmaker can ask for donations to be made to ABC CHARITY on their behalf.

Donors ABC CHARITY the money. They take a small percentage. They pass the rest on to the Filmmaker who records the money as "income".

The donor can then deduct the money they've given from their taxes.

This helps the filmmaker get the money they need to produce their film because it lets them tell people that big donations are deductible. Lots of people routinely make big donations to charities every year.

Fiscal Sponsorship is a very common, and entirely legitimate, way for businesses to accept donations for their work. Fiscal sponsorship is a way for established charities to ensure they fulfill their mission to support specific groups of people or specific social goals.

TAXES

Always consult with a licensed business tax advisor about money you receive from any source. You must pay taxes on money you receive as grants, donations, etc.