



Athletics Gifts from Foundations and Donor-Advised Funds

Many donors to TCU Athletics prefer to use charitable funds like family foundations or donor-advised funds (DAFs) as their primary giving vehicle. In the past, this has never posed a problem under federal tax law.

That changed when TCU introduced the Priority Points system to allocate donor gift credit for Athletics access and benefits. Because these involve tangible benefits with a quantifiable market value, Athletics gifts from charitable funds now present a challenge in assigning gift credit.

Federal law has long prohibited the use of a charitable fund to fulfill a personal charitable commitment. When a donor creates a charitable fund (foundation or DAF) and takes a tax deduction on the assets placed into the fund, in the eyes of law, those assets no longer belong to the donor. They're now owned by the charitable fund, which is a legally separate person.

It doesn't matter that the original donor may make gift decisions on behalf of the charitable fund. The distributions are still from *fund* assets, not *personal* assets. For this reason, the IRS and the tax courts regard using a charitable fund to fulfill a personal commitment as illegal self-dealing.

TCU honors this legal restriction by assigning "hard" credit for charitable-fund gifts to the fund itself, but "soft" credit (called *memo-credit*) to the original donor. This complies with the law because memo-credit carries no tangible benefits. It's purely for recognition purposes.

However, with TCU's adoption of the Priority Points system, all charitable gifts to Athletics now include tangible benefits. Legally, charitable funds may not receive benefits for their gifts, nor may fund donors or decision-makers receive benefits on behalf of the funds they control. This is still considered illegal self-dealing.

For these reasons, TCU no longer accepts gifts to Athletics from charitable funds like foundations or DAFs. This restriction applies only to Athletics giving. Foundations and DAFs may still freely give to any other area or program of the University.

Frequently Asked Questions

Can I decline all Priority Point benefits and receive memo-credit for a charitable-fund gift?

Theoretically, yes — but in practical terms, no. The IRS does allow you to disclaim all benefits associated with a charitable gift if you do so *at the time the gift is made* (not after the fact). Technically, that would permit TCU to give you memo-credit recognition for the full value of a charitable-fund gift to Athletics.

However, TCU has no software mechanism to allocate Priority Points for some Athletics gifts but not for others. Either all donors receive Priority Points or none do. That being the case, as

long as TCU has a Priority Points system, it is not possible to accept Athletics gifts from foundations or DAFs.

If I reduce the size of a gift by the market value of the Priority Points benefit, wouldn't that offset the benefit?

No, for two reasons:

- 1) Priority Points provide access to a variety of benefits like preferred seating, precedence in ticket purchasing, and reserved parking. Not every donor opts to take advantage every benefit. For example, some may buy season tickets without buying bowl tickets.

In addition, not all Athletics gifts are worth the same Priority Points. Annual gifts to the TCU Frog Club are worth 1 point per \$100, but gifts to an Athletics capital project or scholarship endowment are worth 2 points per \$100.

Therefore, the value of Priority Points benefits is not identical for all donors, and there is no way to quantify them in advance. They can be quantified only at the time a donor selects the particular benefits desired.

- 2) Priority Points are awarded for every Athletics gift of \$100 or more. Therefore, it's not possible to offset the value of benefits by reducing the gift size because every Athletics gift triggers a Priority Points award.