

Facts for Consumers

Charitable Donations\$: Give or Take



You may have contributed a portion of the \$143 billion raised for charities in 1995. Unfortunately, an estimated \$1.43 billion of that amount may have been misused or ended up in the pockets of fraudulent solicitors. With more than half a million federally recognized charities soliciting for charitable contributions, it pays to be cautious when making a donation. Asking questions about the nature and activities of the organization is the only way you can be sure the money you contribute will support worthwhile causes.

Paid Fund-Raisers

Some charities find it more efficient to pay professional fund-raisers to handle large scale mailings, telephone drives, and other solicitations rather than their own paid staff or volunteers. Professional fund-raisers are in business to make money and can legally keep a portion of the money they collect. If you're solicited for a donation, ask if the caller is a paid fund-raiser and what percentage of your donation the fund-raiser will keep. If you're not comfortable with the amount, you may want to consider other options for donating.

Charity Checklist

Whether charitable organizations use their employees, volunteers, or professional fund-raisers to solicit donations by phone, mail, or in person, consider the following precautions to ensure that your donation dollars benefit the people and organizations you want to help.

- *Ask for written information, including the charity's name, address, and telephone number.* A legitimate charity or fund-raiser will give you materials outlining the charity's mission, how your donation will be used, and proof that your contribution is tax deductible.
- *Ask for identification.* Many states require paid fund-raisers to identify themselves as such and to name the charity for which they're soliciting. If the solicitor refuses, hang up and report it to local law enforcement officials.
- *Call the charity.* Find out if the organization is aware of the solicitation and has authorized the use of its name. If not, you may be dealing with a fraudulent solicitor.
- *Watch out for similar sounding names.* Some phony charities use names that closely resemble those of respected, legitimate organizations.
- *Know the difference between "tax exempt" and "tax deductible."* Tax exempt means the organization doesn't have to pay taxes. Tax deductible means you can deduct your contribution on your federal income tax return. Even though an organization is tax exempt, your contribution may not be tax deductible. If deductibility is important to you, ask for a receipt showing the amount of your contribution and stating that it is tax deductible.



Beware of organizations that use meaningless terms to suggest they are tax exempt charities. For example, the fact that an organization has a “tax I.D. number” doesn’t mean it is a charity: all nonprofit and for profit organizations must have tax I.D. numbers. And an invoice that tells you to “keep this receipt for your records” doesn’t mean your donation is tax deductible or the organization is tax exempt.

- *Be skeptical if someone thanks you for a pledge you don’t remember making.* If you have any doubt whether you’ve made a pledge or previously contributed, check your records. Be on the alert for invoices claiming you’ve made a pledge when you know you haven’t. Some unscrupulous solicitors use this approach to get your money.
- *Ask how your donation will be distributed.* How much will go to the program you want to support, and how much will cover the charity’s administrative costs? If a professional fund-raiser is used, ask how much it will keep.
- *Refuse high pressure appeals.* Legitimate fund-raisers won’t push you to give on the spot.
- *Be wary of charities offering to send a courier to collect your donation immediately.*

- *Consider the costs.* When buying merchandise or tickets for special events, or when receiving free goods in exchange for giving, remember that these items cost money and generally are paid for out of your contribution. Although this can be an effective fund-raising tool, less money may be available for the charity.
- *Be wary of guaranteed sweepstakes winnings in exchange for a contribution.* You never have to donate anything to be eligible to win.
- *Avoid cash gifts that can be lost or stolen.* For security and tax record purposes, it’s best to pay by check. Use the official full name of the charity — not initials — on your check. Avoid solicitors who want to send a courier or use an overnight delivery service to pick up your donation.

Charity Check-Up

Many charities use your donations wisely. Others may spend much of your contribution on administrative expenses or more fund-raising efforts. Some may misrepresent their fund-raising intentions or solicit for phony causes.

Before you open your checkbook, check out the charity you’re considering with these organizations:

Philanthropic Advisory Service
Council of Better Business Bureaus
4200 Wilson Boulevard, Suite 800
Arlington, VA 22203-1838
(703) 276-0100
www.bbb.org

National Charities Information Bureau
19 Union Square West, 6th Floor
New York, NY 10003-3395
(212) 929-6300
www.give.org

American Institute of Philanthropy
4905 Del Ray Avenue
Suite 300
Bethesda, MD 20814
(301) 913-5200

Your local charity registration office
Most states require charities to be registered or licensed by the state. Check with your state Attorney General’s office or Secretary of State.

Many smaller, newer, or local charities may not be rated by the organizations listed here. Some fraternal organizations, such as police and fire groups may not be rated at all. If the charity seeking your donation is not listed or rated, follow the precautions listed under **Charity Checklist** to help you determine whether an organization deserves your donation dollars.

For Complaints and More Information

If you believe an organization may not be operating for charitable purposes or is making misleading solicitations, contact your state Attorney General or your local consumer protection office.

You also may file a complaint with the Federal Trade Commission by contacting the Consumer Response Center by phone: Toll-free 1-877-FTC-HELP (382-4357); TDD: 202-326-2502, by mail: Consumer Response Center, Federal Trade Commission, Washington, DC 20580, or by e-mail: use the complaint form at www.ftc.gov. Although the FTC cannot intervene in individual disputes, the information you provide may indicate a pattern of possible law violations requiring action by the Commission.

The FTC publishes a series of free brochures on a variety of consumer issues. You can access the FTC at www.ftc.gov. You also can request a copy of **Best Sellers**, a complete list of FTC publications, at:
Consumer Response Center
Federal Trade Commission
Washington, DC 20580
Toll-free: 1-877-FTC-HELP (382-4357)
TDD: 202-326-2502