

Revenue Notice #91-16

Income Tax - Revised Definition of Contribution for Purposes of Issuing an Official Receipt (Form EP-3) for the Political Contribution Refund; Revocation of Revenue Notice # 91-08

[This subject was originally discussed in Revenue Notice 91-8, Definition of Contribution for Purposes of Issuing an Official Receipt (Form EP-3) for the Political Contribution Refund which was published in the State Register on August 12, 1991. This Revenue Notice restates the information contained in Revenue Notice 91-8 and adds a de minimis exception to the principle that receipts cannot be issued for the full admission to a fund raiser event if the contributor would receive something of value at the event. Since all information concerning the definition of "contribution" for purposes of the political contribution refund is contained in this Revenue Notice, Revenue Notice 91-8 is revoked.]

Minnesota Statutes § 290.06, subd. 23(c) defines "contribution" for purposes of the political contribution refund, as "a gift of money." Eligible candidates and parties should therefore not issue an official receipt Form EP-3 ("receipt") to contributors of goods or services.

Example 1. The contributor donates \$50 worth of lumber so that the candidate can build a booth at the county fair. No receipt should be issued.

Furthermore, to the extent that the contributor expects to receive more than nominal value for a contribution, the contribution is not a gift, and therefore is not refundable. The issuer of the receipt must make a good faith, reasonable estimate of each of the benefits available to the contributor in determining the amount of the contribution to include on the receipt. This is true even if the contributor does not attend the event.

Example 2. The contributor purchases a gift certificate good for \$100 of office supplies for \$50 at a political fund raiser auction. No receipt should be issued.

Example 3. The contributor purchases a gift certificate good for \$100 of office supplies for \$150 at a political fund raiser auction. A receipt should be issued for \$50.

Example 4. The contributor purchases a raffle ticket for \$10, which entitles the contributor to a chance to win several prizes worth more than \$250. No receipt should be issued since the \$10 is merely the purchase price for the chance to win a valuable item.

Example 5. The contributor purchases a \$50 ticket for admission to a fund raiser dance. Dinner is served, followed by brief comments from the candidate. The band then plays, uninterrupted, for the remainder of the evening. The meal and dance has a fair market value of \$20. A receipt should be issued for \$30.

Admission to a fund raiser event is, however, fully refundable if the benefits the contributor expects to receive have only nominal value. Benefits have nominal value if they are:

Worth less than 15 percent of the admission price and

Worth less than \$7.50 (\$15 if the admission price admits two).

Example 6. The contributor purchases a \$50 ticket for admission to a fund raiser luncheon. The contributor receives a meal worth \$5. A receipt may be issued for the full \$50 since the benefits are worth less than 15 percent of the contribution and are also less than \$7.50.

Michael E. Boekhaus
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