

Deductibility of Technology Services Provided to Charitable Organizations

These days, an online presence is vital for any organization. Unfortunately, many nonprofit organizations have neither the expertise nor the budget to create an extensive and flashy website or mobile app. However, new organizations are working to address this problem by pairing talented computer programmers and web designers with organizations that need to improve their online presence.

For example, ReAllocate is a 501(c)(3) organization that hosts “hackathons,” which are events that bring groups of tech-savvy people together for a day to use their skills to build a website or mobile app for other nonprofits.¹ ReAllocate recently hosted a hackathon in San Francisco, during which volunteers created a website for a local nonprofit in one day.² Similarly, a group of volunteers in Cedar Rapids, Iowa gathered for 24 hours in Operation Overnight to build a website for five different nonprofits in Cedar Rapids.³ In Cincinnati, Ohio, a group of digital marketing companies is hosting a contest to give \$10,000 in social media services to a local nonprofit. A successful social media campaign can help attract people to the organization to either use its services, to make donations, or volunteer for the organization.⁴

Donations of personal services like web programming and design are very valuable to a nonprofit organization because the cost of those services is often out of its budget. Such donations are also personally fulfilling for the donor. However, unlike cash or in kind donations,

¹ See <http://reallocate.org/about/>.

² Nellie Bowles, *Volunteer hackathon connects techies, nonprofits*, SF Gate, October 16, 2013.

³ Kcrg.com, *Operation Overnight Builds Websites for Nonprofits*, kcrg, October 18, 2013.

⁴ Feoshia Davis, *One Cincinnati-area nonprofit will win \$10,000 worth of social media services through contest*, WCPO Cincinnati, October 13, 2013.

personal services and volunteering are not tax deductible for the volunteer even if donated to a qualified 501(c)(3).⁵

The IRS prohibits deducting the value of the donor's time, including the "value of income lost while [the donor] worked as an unpaid volunteer for a qualified organization."⁶ Thus, volunteers who create websites or an online presence for a nonprofit may not claim a deduction for their services.⁷ However, the IRS does allow expenses that a donor incurs performing services for a qualified organization to be deducted as a contribution to the organization.⁸ These expenses must be: "unreimbursed, directly connected with the services, expenses you had only because of the services you gave, and □not personal, living, or family expenses."⁹ After reviewing the examples in IRS Publication 526, Charitable Contributions, it appears that the volunteers who create websites for qualified organizations would likely be unable to deduct any expenses for their contribution of services to the organization. Further, the web designers and programmers would not be able to deduct expenses related to their computer equipment used for the design and programming necessary to create a website for a qualified organization.¹⁰

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⁵ IRS Publication 526, *Charitable Contributions*, for use in preparing 2012 returns, available at: <http://www.irs.gov/pub/irs-pdf/p526.pdf>.

⁶ *Id.* at 7.

⁷ See *Taylor v. C.I.R.*, 63 T.C.M. (CCH) 2514 (T.C. 1992) (taxpayer was not allowed a deduction for time spent consulting for the NAACP because a contribution of the taxpayer's time was not a contribution of cash or other property).

⁸ *Id.* at 13.

⁹ *Id.* at 5.

¹⁰ *Miller v. C.I.R.*, 34 T.C.M. (CCH) 1207, n. 8 (T.C. 1975) (a "civilian 'ham' operator was allowed to deduct out-of-pocket expense incurred in the operation, maintenance, and repair of his radio equipment which was directly attributable to the performance of such volunteer services. No deduction was allowed for a proportionate share of the general repairs or maintenance of the equipment.")