Tax Tips for GoFundMe Donors and Organizers

BY KYLE G. MUNNS • OCTOBER 22, 2021

Since January of 2020, over 175,000 COVID-19 related GoFundMe campaigns were created, raising more than $416 million. While donors may be feeling charitable, they should know that their contributions are likely *not* tax-deductible. Likewise, campaign organizers should also be wary of the potential tax implications of those donations. Here are some tips for both donors and donees alike:

DONORS

Donations on GoFundMe or other charitable crowdfunding campaigns are usually made to individuals or groups, not IRS-designated charities. The contributions are considered 'gifts' by the donor and are not tax-deductible. On GoFundMe, there are two exceptions to make your donation tax-deductible:

1. Qualified 501(c) Organization: Donations to a qualified charitable organization listed on GoFundMe are considered tax-deductible. The website provides a link to certified charities so Donors can know they are making a qualified, tax-deductible contribution directly to the intended nonprofit.
2. "GoFundMe Causes": GoFundMe created "GoFundMe Causes" and GoFundMe.org where qualified charitable organizations are grouped by their general "cause." Donors make a tax-deductible donation to the cause of their choice (i.e. environment, COVID relief, animal rescue, etc.). GoFundMe then sends the donations directly to the verified fundraisers and charities in that cause.

GIFT TAX CONSEQUENCES

Because a contribution (other than those specified above) is a gift, Donors should be aware of the IRS reporting requirements for gifts. Those who give more than the annual gift tax exclusion ($15,000 for the 2021 tax year) may be required to file a gift tax return. While exceptions exist for gifts to medical or educational expenses, contributions on GoFundMe rarely go directly to the institutions, as is required for the exception.

DONEES

Campaign organizers should similarly be aware of the tax implications of the donations received. While gifts are not taxable income, organizers should maintain records of their accounts to avoid unwanted surprises.

1. Donations in Exchange for Goods or Services

If donations are received in exchange for goods or services, then funds may be considered taxable business income. An example is if a startup company crowdfunds their project, and provides donors with "free" samples in exchange for donations. Organizers should be very clear in their campaigns that donors will not receive anything in exchange for the money contributed.

2. Maintain Records and Report Donations Received

The IRS now requires third-party payment processors to issue a form 1099 to anyone who receives more than $600. The IRS takes note of these 1099s, and there are many stories of organizers being hit with a massive tax bill for their charitable efforts . While the money raised should not be considered income, the burden is on the taxpayer to refute income treatment. If you are a charitable crowdfunding organizer, to avoid a lengthy and costly dispute with the IRS, get ahead of the issue and report GoFundMe proceeds on your tax return. Then, separately show a reduction of the amount raised along with an explanation of the circumstances.

If you are thinking about starting a GoFundMe fundraising campaign, be sure to keep accurate records and seek guidance from a tax professional.

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