



irs backs off of gift tax on 501(c)(4) contributions

MSK Client Alert

July 7, 2011

Facing a healthy backlash, it looks like the IRS misfired in going after the gift tax on contributions to 501(c)(4)s, and it just announced that it "will not use resources to pursue examination on this issue," noting that "any further action we take will be prospective and after notice to the public."

In several previous MSK Alerts,¹ we raised questions regarding the applicability of the gift tax to 501(c)(4) contributions. Faced with the significant Congressional and media pressure that followed, the IRS offered that it "has little history to draw from in this area and the limited guidance we previously issued on this matter is almost thirty years old."

The IRS indicated that it will review the need for additional guidance or legislation, and is looking to Congress for resolution: "As we consider this issue, it is possible that Congress may choose to clearly articulate through legislation the applicability of the gift tax to contributions to 501(c)(4) organizations."

In the meantime, individuals can contribute to 501(c)(4) organizations without the fear of gift tax liability.

If you have any questions about this Alert, please contact the author or any member of the MSK Tax Department.

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1. "Potential Gift Tax Liability for Election Year Contributions to 501(c)(4) Social Welfare (Political?) Organizations" *MSK Tax Alert* (October 14, 2010).

"Potential Gift Tax Liability for Contributions to 501(c)(4)s - UPDATE" *MSK Tax Alert* (January 27, 2011).

"Potential Gift Tax Liability for Contributions to 501(c)(4)s - UPDATE #2" *MSK Tax Alert* (May 10, 2011)