

Crowdfunding

Crowdfunding sites like *GoFundMe*, *Kickstarter*, *Indigogo*, and the *PayPal Giving Fund* provide a great way for individuals, organizations, and businesses to raise revenues. First make sure you understand the tax implications of the money you give and/or receive.



Funds that you give:

- The funds you give are tax deductible when the organization receiving the funds is a 501(c)(3) charity.
- Funds that you give to an individual (or any non 501(c)(3) group) are non-deductible gifts. The good news though is that the individual doesn't have to pay tax on the gift.
- Funds that you give to a business are mostly non-deductible. At best, you might be able to take a capital loss if the value of what you received for your investment in the company was less than what you gave. Ask your tax professional for guidance if you want to treat your donation as a capital investment.

Funds that you receive:

- If you are an individual (or non 501(c)(3) group) then you are the big winner... the funds you receive are treated as gifts for tax purposes. This is a smart way to fund your cause tax free without all the hassles of being a 501(c)(3). 501(c)(3) groups must be approved by the IRS, file a separate tax return, and are routinely audited.
- If you ARE a registered 501(c)(3) then crowdfunding funds are treated the same as other donations.
- If you are a for-profit business then crowdfunding revenue is taxable income.
- If you are a hobbyist then crowdfunding revenue is taxable income (line 21 on form 1040).

How to get started?

If you are an individual (or non-501(c)(3) group) then *GoFundMe* (www.gofundme.com) is the most popular choice. Setting up an account is free. Then you link your account to your Facebook, Twitter, and email accounts to solicit donations from friends and family. Your account can be kept "private" or you can allow everyone visiting the site to see your cause. *GoFundMe* charges a 7.9% fee for all donations.

If you are a 501(c)(3) you can also use *GoFundMe* but keep in mind that they charge a 7.9% fee. For a no-fee alternative, check out the *PayPal Giving Fund* (www.paypal.com/givingfund). Enrolling in *PayPal Giving Fund* is free. Once enrolled, your fund will display via giving programs on PayPal and eBay. You can also link your *PayPal Giving Fund* to *GoFundMe* via their "Certified Charity" program (subject to *GoFundMe*'s 7.9% fee).

Kickstarter (www.kickstarter.com) is the most popular crowdfunding site for businesses. The stats for *Kickstarter* are staggering... 12 million people have backed a project... \$2.7 billion has been pledged... and 115,000+ projects have been funded. Setting up your project is free. Each project sets their own funding goal. None of the individual pledgers is charged until a project's predetermined goal is met. *Kickstarter* charges a 5% fee for successfully funded campaigns and also charges a 3-5% payment processing fee.