

February 2008 – “Fair Market Value”



Our staff experts conduct “special investigations” into your questions.

*Dear Investigator,*

*Would you settle an argument I am having with our Finance Director? We are having a special event, a night of comedy with Tomato Head. We are selling the tickets for \$100, normally it costs \$75 to see Tomato Head in concert. I want to put on the ticket that the fair market value is \$75 and \$25 is a contribution. Because we bought a block of tickets, we got a big discount. My Finance Director insists that because we only paid \$30 per seat, the ticket should read "fair market value \$30, contribution \$70." Please settle this argument.*

*-Debbie, Development Director*

Dear Debbie,

You are right and the Finance Director is wrong. The standard definition is that fair market value is the price at which a transaction would occur between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell. Since the standard ticket price for a Tomato Head performance is \$75 that is the fair market value. It makes no difference what the organization paid for the block of seats. To complicate matters, if ticket holders were entitled to drinks and a snack in addition to attending the performance, then you would have to determine the fair market value of the beverages and food served. You would have to figure out what a restaurant would charge for the drink and food. If you determine that a restaurant would charge \$15, then fair market value would be \$90 (\$75 seat plus \$15 food) and the contribution only \$10. It makes no difference whether the food and drink were donated.

-CSI Investigator