



Domain Name Charitable Donations Are Win-Win

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A charitable donation to a nonprofit organization that receives government assistance can benefit the receiving party and society as a whole. One example is donating domain names relevant to an Indian tribe. (The IRS has recognized the legitimacy of such a contribution.) In contrast, a large number of charitable donations have private benefits for the donating party but are socially useless because they decrease the government's income without any offsetting benefits.

A domain name that easily and accurately identifies an Indian tribe benefits the tribe by acting as its online face and a doorway to the tribe's Web site. In doing so, the name makes it easier for tribe members to obtain relevant and updated information, and it provides the tribe with a secure donation-collection environment, transparency through creation of an online tally of donations and expense reports, and reduction of revenue siphoning by unscrupulous Web site imitators. But, like for-profit companies, some tribes may still need additional domain names, whether to reduce revenue siphoning even further, increase value-generating traffic to its Web site, or both.

There are alternative venues for the tribe to secure its own domain names. However, they are inferior to donations. One option is to borrow money to finance domain name purchases. Unfortunately, a bank would not lend money based on a domain name's receivables. A second is to have the government provide such domain names to the tribe. But then the government would have to give the tribe less money, so as to keep its total aid to the tribe from going up. Moreover, the government is not in the business of identifying the best domain names for various tribes, does not have the necessary competencies to negotiate with sellers, and would need to incur appraisal costs. To ensure legitimate appraisals, the IRS can have a list of preapproved domain appraisal specialists, who would be kept in line through random audits.

There are cost savings to the government in addition to those from not being involved in the acquisition option noted above. The taxpayer's allowable deduction is less than 100% of the fair market value (FMV) of the donation, while the tribe's benefits exceed the FMV. Moreover, the donation can reduce financial assistance to the tribe while leaving the tribe as well off as it was before the donation. Furthermore, the domain name donor is less likely to make additional deductions, and thus, abuse and audit expenses are less likely.

Thus, certain classes of charitable donations benefit the donating party, the party receiving the donation, and the government. ■