



Fiscal Agent

In accordance with UNSCC Policy – The UNSCC may only act as a **Fiscal Agent** on behalf of Santa Clara County government entities or tax-exempt organizations to the benefit of UNSCC members or organizations the UNSCC Board may designate in writing..

“Fiscal Agency” refers to an arrangement with a government entity or an established charity to act as the legal agent for a project, but the UNSCC, as Fiscal Agent, does not retain the discretion and control of the donated funds. Under agency law, the UNSCC, as (tax-exempt agent acts on behalf of the principal (project) who has the right and legal duty to direct and control the agent’s activities.

In this arrangement the UNSCC supports the principal (project) contract with another organization and provides services as defined in the contract or memorandum of understanding. Typically these are back office, monitoring, and administrative support.

The important distinction here is that a fiscal sponsorship and a fiscal agent arrangement is that funds contributed to a non-exempt project that has a fiscal sponsor are tax-deductible to the donor and those that are contributed to a project with a fiscal agent are not.

Fiscal Sponsorship

Under Special Circumstances as determined by the UNSCC Board, Fiscal Sponsorship permits the exempt sponsor to accept funds restricted for the sponsors to accept fund restricted for the sponsored project on the project’s behalf.

The sponsor, in turn, accepts the responsibility to ensure the funds ar properly spent to achieve the project’s goals. This arrangement is useful for new charitable endeavors that want to test the waters before deciding whether to for an independent entity as well as temporary projects or coalitions that are looking for a neutral party to administer their funds.

Elements of Fiscal Sponsorship

IRS Criteria

- Grants/Donations are given to a 501(c)3 tax-exempt organization (the sponsor) that acts as a guardian of the funds for a project that does not have 501(c)3 status
- The sponsor must use the funds received for specific charitable projects that further the sponsor’s own tax-exempt purpose
- The sponsor must retain discretion and control as to the use of the funds
- The sponsor must maintain records that substantiate the use of funds for appropriate 501(c)3 purposes
- Typically, the project will be short-term or the sponsored group is seeking tax-exempt status

The UNSCC is a 501(c)3 corporation [77-0369577] founded in 1995 whose member neighborhood and homeowner's associations work to create, serve, and empower neighborhood association throughout Santa Clara County. Please visit our website at www.unscc.org.

Charity Lawyer - <https://charitylawyerblog.com/2022/03/07/fiscal-sponsorship-vs-fiscal-agency/>



The IRS has a strict policy against the use of “conduits”. If the elements of fiscal sponsorship are not present, then the IRS will treat a donation of funds to a fiscal sponsor earmarked for a sponsored project as a donation from the donor directly to the project. In such cases, the donation will not qualify for a charitable tax deduction if the sponsored project does not have its own tax-exempt status.

To avoid this result, the sponsor must have “complete discretion and control: over the funds. This means the sponsor is legally responsible for the funds to ensure that funds paid to the sponsored project further the sponsor’s own tax-exempt purposes.

There are several models of fiscal sponsorship. Accordingly, it is important for a fiscal sponsor and its sponsored projects to understand the exact nature of their relationship and to memorialize the terms in a written agreement.



Roles and responsibilities should be negotiated and documented in a written agreement. Every sponsorship is different, but these are the basics:

