

Use Case Library

Fidelity Charity

Executive Summary written by GBBC

Recently, charities around the world came across a problem: donors were interested in donating bitcoin, but the charities were unable to accept it. Having identified a gap, Fidelity Charitable and Fidelity Labs collaborated to develop a way for charities to accept bitcoin donations.

In researching bitcoin donations, Fidelity found that accepting bitcoin directly, rather than transferring it to fiat first, has tax benefits in the U.S. because of the Internal Revenue Service's treatment of bitcoin as property. They determined that using a third-party vendor and bitcoin exchange allowed Fidelity Charitable to contribute bitcoin directly to charities. After numerous prototypes and iterations, Fidelity Charitable can accept bitcoin, sell it for cash using a vendor, and then place the cash in a donor-advised fund. Donors can then recommend that money from their fund be distributed to charities.

Fidelity Charitable was able to add a new way to give, one that even has favorable tax treatment when compared to cash donations. The rollout was successful at both increasing donations from existing donors and bringing in new donors. This offering showed that bitcoin (and blockchain technology) can have real, positive effects when used correctly.