



**CHECKLISTS
TO HELP MAKE
THE GIFT HAPPEN**

PG CALC WEBINAR

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I. INTRODUCTION

After years of thoughtful cultivation and many months of negotiations, at long last your donor finally said yes! But now what? Documents need to be drafted and approved. Your organization has a template for a gift agreement, but it will need to be adapted. A gift annuity contract might be easy enough, but a charitable remainder trust is going to require legal counsel. And your donor mentioned something about a subsidiary lease agreement – not sure what that’s all about. What about a tax ID number? An appraisal may be required and perhaps an environmental audit. Who is going to take responsibility for transferring ownership? Will you need title insurance?

It’s no wonder even rocket scientists use checklists.

Like so many things these days, checklists can be a polarizing topic. Standing on one side are those for whom a checklist is evidence of their serious and thoughtful approach, proof that one is responsible and prepared. Aligned on the other side are those who revile checklists as an unnecessary constraint on creativity, perhaps indicating a lack of confidence in one’s own knowledge and expertise. In the worst cases, checklist supporters accuse detractors of failing to prepare, being unable to make commitments, or perhaps being unqualified, reckless, and maybe even a danger to the established. Meanwhile checklist detractors accuse supporters of narrow black and white thinking, lacking self-confidence or a sense of humor, or perhaps being simple minded.

But let us step back from the precipice, shall we?

II. WHY BOTHER WITH CHECKLISTS AT ALL?

Checklists are a common tool in all manner of complex endeavors, especially those where an error or omission can result in serious consequences. Airline pilots, brain surgeons, and even the mechanic who changes the oil in your car all follow checklists even if they have successfully completed the work hundreds or thousands of times before. A checklist is no substitute for their experience and expertise. They rely on checklists to increase the likelihood of a successful outcome by limiting chances of a missed step, whether through incompetence or mere oversight.

For charitable gift planners, checklists provide another distinct advantage: a well-constructed checklist can be liberating, freeing you up to tend to the important work of donor relationships without getting ensnared in transactional minutiae of gifts that have already been committed.

Checklists are common in the field of aviation because they help pilots, even those with thousands of hours of flight time, avoid failures. Checklists can help catch mistakes before they happen, even if the pilot has a lapse of memory, attention, or thoroughness. In his book *The Checklist Manifesto* (2010), surgeon and public health researcher Atul Gawande notes that difficult endeavors like sending an astronaut to the moon, “can sometimes be broken down into a series of simple problems. But there is no straightforward recipe. Success frequently requires

multiple people, often multiple teams, and specialized expertise. Unanticipated difficulties are frequent. Timing and coordination become serious concerns.”

Completing a complex charitable gift plan may not be quite as challenging as sending an astronaut to the moon, but there are many ways in which checklists can help ensure success in charitable gift planning. However, checklists have their limits as well. To avoid unnecessary delays, it is important to identify the circumstances when a checklist can help and determine what kind of checklist should be used. Holding up a contribution while your organization meticulously works through its robust multi-point checklist is sure to frustrate even the most generous and determined donor.

III. COMPLEX VERSUS MERELY COMPLICATED

Difficult problems and intricate processes can be sorted into three types: the simple, the complicated, and the complex.

- **Simple** problems are those like baking a cake from a mix. There is a recipe, and following it produces reliably good results.
- **Complicated** problems are those like sending an astronaut to the moon. Complicated problems can be broken down into a series of simple steps that must be completed in a coordinated way, but there is no straightforward recipe. Success requires the engagement of multiple people or teams with specialized expertise. Timing and coordination are critical. Unanticipated difficulties are frequent.
- **Complex** problems are more like raising a child. Having once successfully completed a merely complicated problem like sending an astronaut to the moon, you can repeat the process – one lunar mission becomes very much like the others – but not so with raising a child, because each child is unique. What worked so well this time might not work the same way the next time.

Successfully raising planned gifts involves two distinct phases. The first phase is the cultivation and solicitation of the prospective donor, all of the work that occurs prior to the donor agreeing to make the contribution. The second phase includes the much more transactional tasks involved in completing the gift after the donor has decided to make the contribution.

The cultivation and solicitation phase is complex work. Although successfully soliciting one planned gift provides valuable experience, it does not guarantee success with the next planned gift. Expertise is valuable but not sufficient. The next planned gift solicitation may require an entirely different approach from the previous one. And – another feature of complex problems – the outcomes remain highly uncertain, sometimes until the very end.

However, once a donor has agreed to make a planned gift, the tasks involved in closing the gift – finalizing a gift agreement, executing a trust or contract, transferring assets, financial recording, and so on – can become merely complicated problems. There is no recipe for closing the gift because each transaction comes with its own unique features but experience successfully closing

planned gifts in the past helps identify critical steps which can be codified into a standard routine or process. In this sense, the closing phase of a planned gift is similar to sending a rocket to the moon. No two planned gifts are exactly alike, but each can be broken down into a series of steps requiring the involvement of multiple people or teams with specialized expertise where timing and coordination are critical and unanticipated difficulties are common.

IV. INVESTING NOW IN A VALUABLE TOOL FOR LATER

A good checklist will help ensure that the charitable gift transaction is well-organized and – perhaps as important – appears friction free to the donor and your colleagues in the organization. As a result, donors will feel confident and affirmed in their decision to make their contribution. Especially for complex gifts that may not occur often, a checklist will make the acceptance and processing a matter of routine, rather than a unique or exceptional event. This will reassure your colleagues in your organization about your competence and expertise. It can help you avoid earning a reputation as a disruptor and source of stress within your organization.

Also – a bonus – an established checklist can help you avoid unnecessary trips to the gift acceptance committee. Even with the most reasonable gift acceptance policies in place, the sheer mechanics of preparing for, convening, and then documenting action by the gift acceptance committee can consume an inordinate amount of time and resources resulting in delays which, all too often, open the door for the donor to get cold feet.

Finally, a set of checklists for charitable gift planning will help avoid errors and enhance your organization's and your own professional reputation. Many errors can be corrected after the fact, but the process can be troublesome and could raise other issues. Despite lawyers and others explaining that it is a routine matter, having to ask a court to affirm a scrivener's error might not reflect well on your organization or, for that matter, the trust the donor has invested in your organization.

The investment of time and effort to build a set of gift planning guidelines is, in some senses, a bit like emergency preparedness. It is a good idea to have a flashlight on hand in case the power goes out, but you do not want to wait until it is dark to look for it. But there are also judgements about resources. Unless you routinely suffer blackouts in your area, investing in a generator is probably unwise. Similarly, a good checklist for gifts of appreciated securities is probably a prudent investment for most organizations but, unless your organization is likely to receive contributions of timber rights, there is little reason to spend time and resources developing a timber harvest plan checklist.

Preparing checklists in advance will help avoid having rushed – and potentially contentious – internal debates with the added pressure of a gift hanging in the balance. Your donors will be relieved from the apprehension caused by the indecision and the tension of not knowing whether their gift will be completed as they intended. This uncertainty can be especially nerve wracking toward year end when a current year charitable deduction might be at stake.

From an internal perspective, investing the time and effort to develop checklists in advance allows you to work on a hypothetical basis rather than with reference to a specific gift. This will produce more objective and broadly useful checklists instead of ad hoc solutions created narrowly to fit a specific situation. Your goal should be checklists that are useful for a range of gift circumstances.

As helpful as the checklists are, the internal work required to develop the checklist can be as valuable as the end product. In the process of developing checklists, you and your organization will have opportunities to engage in crucial internal discussions and reach consensus about knotty policy and process issues. Identifying and considering potential pitfalls and issues before they arise and in an unpressured environment will allow you to develop consensus about parameters and guardrails and to seek clarity about authority and responsibility. Developing a checklist will involve discussions between and among the planned giving, fundraising, accounting, business and finance, and investment offices. Inevitably, complex issues will surface. It is better to have these debates now, rather than grappling with them on an ad hoc basis during the peak of the gift giving season.

V. ELEMENTS OF A GOOD CHECKLIST

Before delving into the process of developing checklists, we should consider some of the things a checklist should not be expected to accomplish. A checklist is not a:

- 1) **To-do list** – The checklist itself may incorporate specific steps – or to-do lists – but the real value of the checklist is in coordinating many individual tasks and helping to ensure that categories of specific steps are not overlooked.
- 2) **Algorithm, equation, or recipe** – A good checklist will provide more than step-by-step instructions for closing a planned gift. Think of the checklist as an itinerary that provides a roadmap with alternate routes and possible side trips.
- 3) **Process or procedure** – The checklist is not an operator’s manual and cannot substitute for internal procedures and well-designed processes. The checklist helps ensure that processes are followed and procedures completed in a coordinated way.
- 4) **Teaching or training tool** – A checklist is a useful resource for staff and others, but it is not a substitute for experience. A good checklist will anticipate exceptions and provide guidance for individuals to exercise their own discretion based upon experience.

There are hundreds of checklists involved in the safe operation of a modern aircraft. It is interesting to note that the checklist for an in-flight engine fire – perhaps one of the most challenging problems a pilot could face – includes just six items and only one decision point – and “land as soon as possible” does not appear until the very end of the list. Note too: the engine fire checklist refers to a separate checklist to shut down the engine. It is a mistake, when developing a checklist, to attempt to make it all inclusive because it will become unwieldy and too difficult to use.

FIRE - ENGINE FIRE
FIRE light on. Aural warning sounds.
NOTE The following procedure must be applied, whether or not the FAULT light is on.
▶ PHASE 1
● Power lever of engine concerned.....Cut-off ● FUEL SHUT OFF switch of engine concerned.....Actuated ● Airspeed.....Below 250 KIAS ● Fire extinguisher DISCHPosition 1 ■ If fire warning persists: ● Fire extinguisher DISCHPosition 2
▶ PHASE 2
● TRANS light.....On then off ● Engine shutdown.....See 3-100-10 → ■ If engine 2 shutdown: ● A - B busses.....Tied ● ST-BY PUMPAs required ● Land as soon as possible.

VI. A CHECKLIST FOR CHECKLISTS

Even before beginning a discussion of the content and details of a checklist, you should make certain that there is a clear consensus regarding the need for the checklist and a concise statement of the objectives for the checklist. An all-encompassing “Gift Acceptance Checklist” might sound like a streamlined model of efficiency, but it could be too broad to be useful. Even the title is vague, ambiguous, and open to interpretation. Does this checklist apply to each and every contribution, even routine unrestricted gifts of cash? On the other hand, gift acceptance is an important policy matter, so perhaps this “Gift Acceptance Checklist” applies only to the operation of your organization’s gift acceptance committee. If the planned gift at hand involves a contribution in exchange for a charitable gift annuity, it might not be apparent that this “Gift Acceptance Checklist” is particularly relevant at all.

As noted above, the best checklists are much more than a lengthy all-inclusive to-do list. It is a common mistake to allow the checklist to swell into a long and dreary list of each and every item that needs to be completed. The danger is that the checklist soon becomes bloated to the point where it is tempting to skip over extraneous items, which increases the chances that a critical step will be missed.

Each of the items on a checklist should meet two threshold criteria, the item must be:

- A critical step that is in danger of being missed. “Complete Form 8283” is a critical step involving multiple actors, but “mail the completed Form 8283 to the donor” may be overkill.
- Actionable with a specific response required. “Done” or “Not Applicable” are valid responses. However, simply skipping an item because it seems irrelevant is not an acceptable response.

Following is a brief outline – a checklist for checklists if you will – for developing a checklist. The exact process will depend on your own organizational culture. The stakeholders and parties that need to be involved will depend upon the content of the checklist under development. The process of developing a checklist will usually proceed through three phases:

- **Development** – An initial round of discussions will determine and qualify exactly who should be directly involved in the process, who will have final authority to approve or accept the checklist, and who needs only to be kept advised. A period of research and discussion will help identify issues that must be addressed by the checklist and, equally important, identify those items that will not be included. This scoping of the boundaries of the checklist is a critical step toward ensuring that the final product is usable. Finally, once the scope has been set, the working group will develop a concept and outline for the checklist.
- **Writing** – Creating the detailed first draft is usually best assigned to a sole author who seeks input from other stakeholders while creating an initial draft checklist. An independent reviewer – perhaps someone without expertise and unfamiliar with the content – can provide helpful feedback to ensure the checklist makes sense to future readers who may not have been privy to all of the discussions and decisions involved in the development of the checklist.
- **Validation** – One or more formal tests of the checklist will help ensure that it achieves the objectives. Ideally, this testing will involve simulated situations which will allow you to test it against extreme, if theoretical, conditions. Finally, an often-overlooked step, is to provide an ongoing process to monitor the checklist and ensure that it is continuously improved and remains useful.

Checklist for Checklists

Development	Writing	Validation
<p><input type="checkbox"/> Do you have clear and concise objectives for the checklist?</p> <p>Is each checklist item:</p> <p><input type="checkbox"/> A critical step in danger of being missed?</p> <p><input type="checkbox"/> Actionable with a specific response required?</p> <p><input type="checkbox"/> One that can be affected by the use of a checklist?</p> <p>Have you considered:</p> <p><input type="checkbox"/> Including items that will improve communication among teams?</p> <p><input type="checkbox"/> Involving members of all teams in the creation of the checklist?</p>	<p>Does the checklist:</p> <p><input type="checkbox"/> Have a logical flow and utilize natural break points in the workflow?</p> <p><input type="checkbox"/> Have fewer than 10 items per break point?</p> <p><input type="checkbox"/> Employ simple sentence structure and language?</p>	<p>Have you:</p> <p><input type="checkbox"/> Tested the checklist with front line users (ideally in a simulated situation)?</p> <p><input type="checkbox"/> Modified the checklist in response to trials?</p> <p>Does the checklist:</p> <p><input type="checkbox"/> Fit the flow of the work?</p> <p><input type="checkbox"/> Highlight errors at a time when they can still be corrected?</p> <p><input type="checkbox"/> Can the checklist reasonably be completed in the allotted time?</p> <p><input type="checkbox"/> Have you made plans for continuous review and revision of the checklist?</p>

VII. CHECKLIST EXAMPLES

Developing a checklist is a complex problem. A good checklist must be custom designed to suit the organization and its unique circumstances. There is no catalog of plug and play ready checklists, nor are there even applicable templates. Your organization is unique. You cannot simply adopt someone else’s checklist. However, it is helpful to study and learn from samples of others’ work. In the appendix are three sample checklists.

- **Gift of Securities** – The checklist itself is contained within a lengthier procedure document that incorporates instructions for the donor and a data gathering questionnaire. Note that, although the procedure steps run almost a full page and are quite detailed, the checklist itself is only four items, each one a critical step that is actionable.
- **Gift of Real Estate** – This checklist includes dozens of detailed questions grouped into separate but overlapping categories. Many of the individual items are so specific they are unlikely to apply to most transactions, a structure that could encourage users to skip over extraneous items, which increases the risk that something important will be missed. This document might better serve as a questionnaire for the gift acceptance committee.
- **Gift of S-Corp Stock** – This checklist covers seven specific areas that require the involvement of multiple parties. Where helpful, the checklist poses questions that can guide the processing of the gift at certain critical junctures. In addition, the checklist provides context and guidance for some items.

VIII. CONCLUSION

Engineers sometimes speak of “all-or-none processes” where, if you miss just one key item, you might as well not have made the effort at all. Because charitable contributions are irrevocable, they fall into the category of all-or-none processes. A good set of checklists can help protect against failures, serving as a reminder of the minimum necessary steps that must be taken and providing verification and creating the discipline required for consistently high performance.

Checklists can help anyone, even the highly-experienced, guard against failure. The checklist provides a kind of safety net to catch lapses of memory, attention, or thoroughness. But, because checklists are adept at catching problems before they happen, they can also lead to an inflated and misplaced sense of confidence.

A key question is when to follow the checklist protocol and when to deviate and follow your best judgment. This choice is central to doing any job well. A good checklist will help make sure you get the critical elements right while preserving room for craft and judgment and the opportunity to respond to unexpected difficulties that arise along the way. Experts, like you the gift planning officer, will still need to make individual judgments, but you will do so as part of a team that takes one another’s concerns into account, discusses unplanned developments, and agrees on the way forward.

In the 1970’s, sociologists and demographers developed the concept of “somebody else’s problem” to explain urban decay. Even as they experienced the deterioration of their own neighborhoods, residents would ignore the issues because they assumed it was somebody else’s problem. A few years later, the author Douglas Adams created the acronym “SEP” for somebody else’s problem and introduced the fictional “SEP Field” which causes those within it to lose interest in the contents of the field:

“A SEP is something we can’t see, or don’t see, or our brain doesn’t let us see, because we think that it’s somebody else’s problem. The brain just edits it out, it’s like a blind spot. The SEP Field relies on people’s natural predisposition not to see anything they don’t want to, weren’t expecting, or can’t explain.”

Adams goes on to warn that, once activated, a SEP Field is difficult to shut down and that prolonged exposure often results in severe headaches, although the victim is likely to dismiss these as somebody else’s problem.

Once your donor says yes, it is very tempting to make the rest of the work somebody else’s problem. After all, you’ve got your hands full with other donors and are in pursuit of the next big gift. Following a good checklist can help you avoid the many SEP Fields that lurk in the realm of charitable gift planning.

As is the case with any complex challenge, success in planned giving requires coordinated efforts, not individual action. A good checklist will ensure the mundane elements – the stupid stuff that no one gives a second thought – are not overlooked and ensure that people coordinate

their separate work and accept responsibility for their parts. A set of good checklists will serve both your organization and your donors.

IX. CHECKLIST EXAMPLES AND REFERENCES

Checklist Examples:

- 1) Gift of Securities (pages 10-11)
(from: *Turning Wealth Into What Matters*, Dana Holt, 2022)
- 2) Gift of Real Estate (pages 12-14)
(example provided by National Association of Charitable Gift Planners)
- 3) Gift of S-Corp Stock (pages 15-16)
(from: “S Corporations Advanced,” by Christopher Hoyt, in *Charitable Gifts of Noncash Assets*, Bryan Clontz, 2018)

References:

Holt, Dana, *Turning Wealth Into What Matters*, Kirk House, 2022 (ISBN 978-1952976346)

Clontz, Bryan, *Charitable Gifts of Noncash Assets*, Create Space, 2018 (ISBN 978-1540441881)

Gawande, Atul, *The Checklist Manifesto*, Metropolitan, 2009 (ISBN 978-0805091748)

Adams, Douglas, *Life, the Universe, and Everything*, Del Rey, 1995 (ISBN 978-0345391827)

(from: *Turning Wealth Into What Matters*, Dana Holt, 2022)

Sample Securities Gift Procedures

1. Conduct initial conversations with donor about their goals and gift basics.
2. Donor completes and returns the Securities Gift Questionnaire.
3. Review completed Securities Gift Questionnaire.
4. If any red flags arise from review of Securities Gift Questionnaire resolve, if possible.
5. If no red flags exist and gift meets the minimum, work with donor to execute transfer of ownership to charity.
 - A. If securities are held electronically, they should be able to be transferred electronically to charity's account.
 - B. If securities are held in certificate form, donor will need to execute a stock power form and deliver to charity along with the certificates. Donor should either hand-deliver to charity OR send in separate trackable overnight delivery packages. For security purposes, stock power forms and stock certificates should NOT be sent in the same package.
 - C. If donating mutual funds, charity will most likely need to open an account with that mutual fund company to accept.
6. When securities are received by charity, send donor a written acknowledgement of the gift.

Sample Securities Gift Instructions

Donors should consult their tax and legal advisors prior to making a gift to fully understand all financial and tax consequences.

Donors should carefully follow the steps outlined below to protect any potential tax benefits of making the gift.

Steps to Making a Gift of Securities

1. Donor completes Securities Gift Questionnaire and returns to charity.
2. Charity reviews Questionnaire and contacts donor to coordinate asset transfer.
3. Securities transfer to charity.
4. Charity will send a written acknowledgement of the gift to Donor.

Sample Securities Gift Questionnaire

Please answer the following questions to the best of your ability. Accuracy and thoroughness are vital to the proper care of your gift. Any information you share will be held in the strictest of confidence and only shared with necessary staff, legal, and tax counsel.

Please complete the following information for each type of security you would like to donate.

Name	Ticker Symbol	Number of Shares	Length of Ownership	Electronic or Certificate?	Approx, Current Value Per Share

Please contact us right away with any questions or concerns you have about this questionnaire. We want you to be absolutely comfortable with your proposed gift. We also want to create an open conversation with you and your advisors about why this information is needed and how it will be used.

I understand that the truth and accuracy of my answers to the previous questions will be relied upon when evaluating my proposed gift of securities. I certify that each of the answers is true, accurate, and complete to the best of my knowledge.

Signature

Date

Checklists to Help Make the Gift Happen

(example provided by National Association of Charitable Gift Planners)

Checklist for Gifts of Real Estate

Donor's Name: _____

Address: _____

Email: _____ Phone #: _____

Date: _____

PLEASE PROVIDE AS MUCH OF THE FOLLOWING INFORMATION AS POSSIBLE.

Location of property: _____

Ownership: (fee simple, joint tenancy, etc.): _____ Purchase date: _____

Appraised Cost basis including improvements: _____

Please Attach all Appraisal Documentation.

Date of Most Recent Appraisal: _____

Contact Information for Appraiser: _____

Does a mortgage or lien exist on the property? YES NO

Has property been depreciated? _____ If so, by what method? _____

Has a Phase 1 Environmental Study Been Conducted on the Site? YES NO If so, please attach all Phase 1 Environmental Study Documentation.

If professional services are used (realtors, appraisers, environmental engineers, etc.), how should arrangements be made to gain access to the property?

Property Manager Name / Phone: _____ Donor's Attorney Name / Phone: _____

Donor's Accountant Name / Phone: _____ Assessor's Parcel Number: _____

BRIEF PROPERTY DESCRIPTION:

A. Residential Donor's home Multi-family Seasonal home Rental property

B. Commercial, please describe: _____

C. Previous uses of property, describe: _____

D. Undeveloped land, please describe: _____

AREA DESCRIPTION:

Are any of the following on the property, formerly on the property, OR in the immediate area?

Please check if YES:

Gas Stations Factories Landfills Underground storage tanks Any potential environmental "red flags"

Please provide details for any of the items checked above: _____

PROPERTY CASH FLOW:

Checklists to Help Make the Gift Happen

(Please attach copies of most recent annual income statement, current rent rolls, and copies of all existing leases involving the property).

Projected Annual Revenue \$ _____

Projected Net Cash Flow \$ _____

Projected Annual Expenditures \$ _____

VALUE AND MARKETABILITY OF PROPERTY:

Executor/trustee estimate of fair market value \$ _____ Basis for opinion? _____

Any recent sales of neighboring properties? YES NO If YES, describe: _____

What is the property tax assessment? \$ _____

Have there been any appraisals or realtor market analyses performed on the property in the past two years? If yes, please list dates and values given:

\$ _____ Date _____

\$ _____ Date _____

Has the property been on the market recently? YES NO

Property Liens:

(1)First mortgage Balance due: \$ (2)Other liens, please describe: (3)Easements, please describe:

Maintenance needing immediate attention please describe and include estimated cost:

Has owner made plans to do repairs? YES NO

MAJOR EXPENDITURES THAT MAY BE REQUIRED PER STATUTES OF LOCAL, STATE, OR FEDERAL GOVERNMENT

Please describe any known code requirements that the property may not be in compliance with and the estimated cost to correct:

Earthquake Protection: _____ Environmental: Other governmental Requirements (Fire, Flood, etc.): _____

Is there the following on the property?

Asbestos YES NO

Urea Formaldehyde Insulation YES NO

If YES to either of the above, please give details as to extent and location. Also describe local requirements (i.e. removal prior to sale, full disclosure, etc.)

Is property insured? YES NO If not, please explain:

Materials to get from executor/trustee, if applicable:

Pictures of property

Appraisals and market Analyses

Most recent tax bill

(from: "S Corporations Advanced," by Christopher Hoyt,
in *Charitable Gifts of Noncash Assets*, Bryan Clontz, 2018)

Checklist for a Gift of S Corp Stock

A. Charitable Purpose. If donor intends to make a restricted gift (e.g., scholarships only, endowment only), are the donor's charitable purposes acceptable?

B. Stock as an Investment

1. What is the nature of the business and its prospects for profitability?
2. What is the stock worth?
3. When will the charity likely sell it?
4. During the time that the charity will own the stock, what is the expected after-tax cash flow from the stock? The after-tax cash flow will be the cash distributions from the S corporation minus the UBIT.

C. Should Donor's Recognition or Benefits Be Adjusted for Anticipated UBIT?

1. Should donor get credit in a major campaign for the full appraised value of the stock or only for the anticipated net amount after UBIT?
2. If a charitable gift annuity will be issued, should the payments be reduced since there will be less cash after the stock's sale because of the UBIT?

D. State Law Issues

1. Can charity own stock under state law?
2. Is there a state UBIT?

E. UBIT Concerns

1. Will gift be made to a charitable trust or an incorporated charity? If a charity has a choice, determine which type of entity will pay the least amount of UBIT.
2. What is donor's adjusted tax basis in the stock? If donor does not know, looking at the balance sheet of the corporation's income tax return may be a way to estimate the basis. Donor's tax basis is important because of the following reasons:
 - It affects the gain or loss upon the sale of stock.
 - It affects whether cash distributions from S corporation are taxable or tax free.
 - It affects whether an S corporation's losses will be deductible or not.

3. What is the projected taxable income or losses of the corporation?
4. How much UBIT will the charity have to pay while it holds the stock? Examine the Schedule K-1 that the donor received from the S corporation.
5. What are the projected cash and property distributions to the charity? See Line 20 of Schedule K-1.
 - Cash distributions?
 - Expected Amounts?
 - Sufficient to pay UBIT?
 - Any extra for charitable purposes?
6. Distributions taxable or tax free?
7. Timing of distributions to meet quarterly UBIT payments when due?
8. Property distributions?
9. A distribution of appreciated property could trigger tax. Are any such distributions planned in the near future?
 - Will the charity have to file UBIT Form 990-T return (required if gross UBTI is over \$1,000)?
 - Will the charity have to make quarterly UBIT estimated tax payments (required if tax due for any year over \$500)?

F. Administrative Requirements if Gift Is Accepted

1. Charity must sign donor's Form 8283 (qualified appraisal) to acknowledge receipt of gift of stock.
 - The donor should know that unlike gifts of other kinds of stock, the tax deduction for donated S corporation stock is often less than the appraised value.
2. Charity should send donor a "contemporaneous written acknowledgment" that contains the language necessary for the donor to claim a charitable income tax deduction.

G. Sale of Stock

1. Obtain evidence of the sale of the stock for its fair value (e.g., a recent appraisal).
2. Send Form 8282 to the IRS and the donor if property is sold within three years.
3. Charity must pay UBIT on the gain from the sale of S corporation stock.