



Fundamentals of Planned Giving Part Three: Assets Used for Charitable Contributions

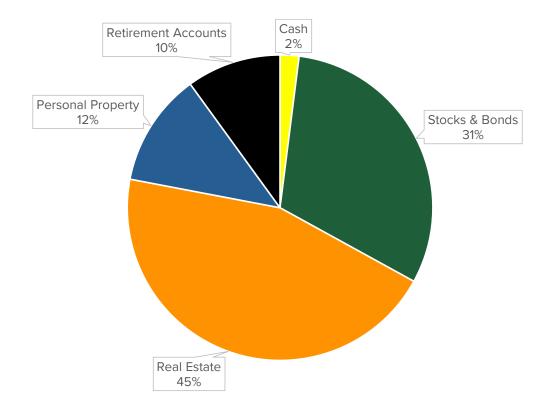
Date:July 26, 2022Time:1:00 – 2:30 EasternPresenter:Craig WruckSenior Advisor, PG Calc



- Review key income tax aspects of non-cash gifts
- Securities stocks, bonds, and mutual funds
- Fair market value, appraisals, and Form 8283
- Real estate
- Personal property



YOUR PARTNER IN PLANNED GIVING SUCCESS Personal Wealth



7/26/2022

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Amount of Deduction

- Publicly traded securities: average between high and low prices on date of gift
- Other non-cash gifts: "fair market value" price arrived at between willing buyer and a willing seller ...
- More than \$5,000 qualified appraisal required to determine value



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Capital Gains Tax

- Capital gain: profit on sale of an investment
- Long term capital gain: held more than a year
 - Taxed at preferential rates: 15% or 20%
- Short term capital gain: held year or less
 - Taxed at ordinary income rates
- Capital gain tax is completely avoided with a transfer of long-term capital gain property to charity



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After-tax Cost of a Gift

Assume a donor in the 24% tax bracket is considering a contribution of \$10,000 either in cash or in appreciated securities with a cost basis of \$2,000 (\$8,000 gain).

	Cash	Securities
Contribution	\$10,000	\$10,000
Income taxes saved	2,400	2,400
Capital gain taxes avoided		1,200
After-tax cost of gift	\$7,600	\$6,400



IN PLANNED **Securities: Stock**

Equity ownership

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- Share value varies with value of the enterprise
- <u>May</u> pay dividends or distribute income
- Many types Common, preferred, S-corp
- Contributions
 - Custody account street name, DTC, book entry
 - Physical certificates
 - Special concerns for S-corp stock



IN PLANNED **Securities: Bonds**

Debt obligation – an IOU

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- Price varies inversely with interest rates
- Many types Corporate, municipal, U.S. government, zero coupon, U.S. Savings
 - Savings bonds <u>do not</u> make good lifetime gifts
- Contribution mechanics



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What would an investor be willing to pay for a bond that pays \$600 per year and then \$10,000 when the bond matures some years in the future?

Interest Rate	Bond Price	Rationale
6%	\$10,000	\$600 is 6% of \$10,000
8%	\$7,500	\$600 is 8% of \$7,500
4%	\$15,000	\$600 is 4% of \$15,000



Securities: Mutual Funds

Pooled investment funds

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- More than 9,000 funds is US, worth more than \$15 trillion
- Almost one-half of household own mutual funds
- Transfer: usually simple except when it's complicated
- Dividend reinvestment programs
- Beware: deduction may be limited if owned for less than one-year



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Securities: Depreciated Property

"Friends don't let friends give when depreciated."

- Securities that are *now worth less* than the donor paid generally do not make tax-wise charitable gifts
- Charitable deduction will be for current fair market value less than the donor paid
- Selling might make better sense



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Assume a donor in the 24% tax bracket is considering a contribution of securities now worth \$10,000 that cost \$15,000 (resulting in a \$5,000 loss if sold)

	Gift of Securities	Sell & Give Cash
Contribution	\$10,000	\$10,000
Income taxes saved	2,400	2,400
After-tax cost of gift	\$7,600	\$7,600
Capital loss (potentially used to off-set other capital gains)		\$5,000



- The price that would be arrived at between a willing buyer and a willing seller
- Deduction up to \$500 estimate value and enter on Schedule A
- \$501* up to \$5,000 estimate value, explain, and file form 8283
- More than \$5,000 qualified appraisal value, charity acknowledges receipt on form 8283
- * Deductions over \$500 for contributions of clothing require appraisal

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Substantiation Requirements

- Donors must have written acknowledgement to substantiate charitable deductions
- Non-cash gifts
 - \$500 or less estimate value on Schedule A
 - \$501 through \$5,000 estimate value, complete Form 8283 explaining valuation methodology*
 - Over \$5,000 qualified appraisal, complete Form 8283 with charity acknowledgement
- * Deductions over \$500 for contributions of clothing require appraisal

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Form 8283

terne	Accember 2021) ment of the Treasury Revenue Service	000000000000000000000000000000000000000	ne or more Forms of over to www.irs.gov/For	\$500 for	r all contributed pr	operty.			Attachment Sequence No. 155
	(s) shown on your	income tax return						1	dentifying number
lote	Figure the emo	unt of your contr	ibution deduction	hafora	completing this	form See vo	ur tav	return instruction	ne
			\$5,000 or Less						
	(or a gr	oup of similar i	tems) for which other property e	you cla	aimed a deduct	ion of \$5.00	00 or	less. Also list p	ublicly traded
Par	t Informa	ation on Donat	ed Property-II	f you n	eed more spac	e, attach a	stater	ment.	
1	(a) Nar do	ne and address of the mee organization	check	the box, a	operty is a vehicle (see Also enter the vehicle less Form 1098-C is a	identification	(For	escription and conditi a vehicle, enter the ye ileage. For securities see instruc	
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в			ПТ	Ш		шп	2		
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lote	: If the amount v	ou claimed as a	deduction for an i	item is \$	\$500 or less, you	do not have	to co	mplete columns (e), (f), and (g),
	(d) Date of the	(e) Date acquired	(f) How acquired	_	(g) Donor's cost	(h) Fair market		-	ed to determine
	contribution	by donor (mo., yr.)	by donor		or adjusted basis	(see instruction	ons)	the fair n	narixet value
A				_			_		
BC	-			-+		-	-	2	
D				-+					
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Name(s) shown on your income tax return dentifying numbe Partial Interests and Restricted Use Property (Other Than Qualified Conservation Contributions) – Complete lines 4a through 4e if you gave less than an entire interest in a property listed in Section B, Part I. Complete lines 5a through 5c if conditions were placed on a contribution listed in Section B, Part I; also attach the required statement. See instructions. 4a Enter the letter from Section B, Part I that identifies the property for which you gave less than an entire interest ► If Section B, Part II applies to more than one property, attach a separate statement. b Total amount claimed as a deduction for the property listed in Section B, Part I: (1) For this tax year (2) For any prior tax years c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization in Section B, Part V, below): Name of charable organization (donee) Address (number, street, and room or suite no.) City or town, state, and ZIP code d For tangible property, enter the place where the property is located or kept e Name of any person, other than the donee organization, having actual possession of the property >____ Yes No Sa is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property?
 D Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundaming) the right to the income from the donated property or to the possession or the property. Including the right to vote donated property or to the possession or digit to acquire?
 I is there a restriction limiting the donated property for a particular use?
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 I is there a restriction limiting the donated property for a particular use?
 I is there a restriction limiting the donated property for a particular use?
 I above that the appraisal identifies an having a value of \$\$000 or less. See instructions. I declare that the following item(s) included in Section B, Part I above has to the best of my knowledge and belief an appraised value of not more than \$500 (per item). Enter identifying letter from Section B, Part I and describe the specific item. See instructions. Signature of

r (donor) 🕨	Date 🕨
Declaration of Appraiser	
	the donor acquired the property, employed by, or related to any of the foregoing person guarty used by the donor, donee, or party to the transaction, I performed the majority of
ty being valued, I certify that the appraisal fees were not based t overstatement of the property value as described in the qualifi he understatement of tax lability). Lunderstand that my apprais al or gross valuation missitatement of the value of the property o tion 68963 of the Internal Revenue Code, as well as other appl	my qualifications as described in the appraisal, I am qualified to make appraisals of the recentings of the approised property traue. Furthermore, or understand that a fate or arraisal or this Form 8253 may subject me to the penalty under section 6701(a) (a)ding and use used in connections with a matum or chain for influct. I also understand that the, there is a used in the connection with a matum or chain for influct. I also understand that the, there is penalties, I altim that I have not been at any time in the three-year pointic ending on the ment of the Tressary or the internal Maximum Section 2000. 300(a).
Appraiser signature ►	Date ►
Appraiser name >	Title ►
s address (including room or suite no.)	Identifying number
own, state, and ZIP code	
Donee Acknowledgment	
ribed in Section B, Part I, above on the following d	organization under section 170(c) and that it received the donated prop
	The larm of the donc, the donce, a party to the transaction in which during my person which is related to any of the frequering person, And, if re- during my person which related to any of the frequering person, And, if re- during my tax year for other person. The second of the bocause of the transaction in which the second of a pro- covertament of the property value and described in the qualified and the second second second second second second second of a pro- covertament of the property value and described in the qualified and the described of the theman Revenue Code, as well as other applicable reasons barrier form presenting evidences of testimetry before the Done Appraiser name > Appraiser name > address (including room or sulfer no.) way, state, and ZIP code Donee Acknowledgment and the site of the large of the second secon

► Yes No Does the organization intend to use the property for an unrelated use? Employer identification number Name of charitable organization (donee)

Title

Address (number, street, and room or suite no.) City or town, state, and ZIP code

Form 8283 (Rev. 12-2021)

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Authorized signature

Form 8283 (Ben 12-2021)

Page 2



Form 8283 – Section A, \$5,000 or Less

Section A. Donated Property of \$5,000 or Less and Publicly Traded Securities—List in this section only an item (or a group of similar items) for which you claimed a deduction of \$5,000 or less. Also list publicly traded securities and certain other property even if the deduction is more than \$5,000. See instructions.

Part	Information on Donated Pr	formation on Donated Property-If you need more space, attach a statement.						
1 (a) Name and address of the donee organization		(b) If donated property is a vehicle (see instructions), check the box. Also enter the vehicle identification number (unless Form 1098-C is attached).	(c) Description and condition of donated property (For a vehicle, enter the year, make, model, and mileage. For securities and other property, see instructions.)					
A								
в								
с								
D								
E								

Note: If the amount you claimed as a deduction for an item is \$500 or less, you do not have to complete columns (e), (f), and (g).

	(d) Date of the contribution	(e) Date acquired by donor (mo., yr.)	(f) How acquired by donor	(g) Donor's cost or adjusted basis	(h) Fair market value (see instructions)	(i) Method used to determine the fair market value
A	8	2			÷	
в						
C	8					
D						
E	6		2	3	3	

		X	VZ
		1	N
PG	C	1	C
			2

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SUCCESS

Form 8283 – Section B, more than \$5,000

Section B.	Donated Property Over \$5,000 (Except Publicly Traded Securities, Vehicles, Intellectual Property or
	Inventory Reportable in Section A)-Complete this section for one item (or a group of similar items) for
	which you claimed a deduction of more than \$5,000 per item or group (except contributions reportable in
	Section A). Provide a separate form for each item donated unless it is part of a group of similar items. A
	qualified appraisal is generally required for items reportable in Section B. See instructions.

Part I Information on Donated Property

2	Check the box that describes the type of property	y donat	ted.		
	a Art* (contribution of \$20,000 or more)	e	Other Real Estate	1	Vehicles
	b Qualified Conservation Contribution	f	Securities	i	Clothing and household items
	c 🗌 Equipment	9	Collectibles**	k	Other
	d Art* (contribution of less than \$20,000)	h	Intellectual Property		

* Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects.

** Collectibles include coins, stamps, books, gems, jewelry, sports memorabilia, dols, etc., but not art as defined above.

Note: In certain cases, you must attach a qualified appraisal of the property. See instructions.

3			(b) If any tangible personal property or real property was donated, give a brief summary of the overall physical condition of the property at the time of the gift.				(c) Appraised fair market value
A							
в			1				
С							
	(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor		(f) Donor's cost or adjusted basis	(g) For bargain sales, enter amount received	(h) Amount claimed as a deduction (see instructions)	() Date of contribution (see instructions)
Α							
В	8			3 S	8	8	
С					· · · · ·	· · · · ·	



Form 8283 - Acknowledgements

Part IV Declaration of Appraiser

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or married to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during my tax year for other persons.

Also, I declare that I perform appraisals on a regular basis; and that because of my qualifications as described in the appraisal. I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this Form 8283 may subject me to the penalty under section 6701(a) (aiding and abetting the understatement of tax liability). I understand that my appraisal will be used in connection with a return or claim for refund. I also understand that, if there is a substantial or gross valuation misstatement of the value of the property claimed on the return or claim for refund that is based on my appraisal. I may be subject to a penalty under section 6665Å of the Internal Revenue Code, as well as other applicable penalties. I affirm that I have not been at any time in the three-year period ending on the date of the appraisal barred from presenting evidence or testimony before the Department of the Treasury or the Internal Revenue Service pursuant to 31 U.S.C. 330(c).

Sign	Appraiser signature 🕨	Date ►	
Here	Appraiser name >	Title 🕨	2
Busines	s address (including room or suite no.)		Identifying number

City or town, state, and ZIP code

Part V Donee Acknowledgment

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on the following date >

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 3 years after the date of receipt, it will file **Form 8282**, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

Does the organization intend to use the property for an unrelated use		· · ► L Yes L No
Name of charitable organization (donee)	Employer identification number	
Address (number, street, and room or suite no.)	City or town, state, and ZIP code	
Authorized signature	Title	Date



- Cautious evaluation of risks and rewards
 - Marketability
 - Holding costs
 - Environmental liability
- Other considerations
 - Debt encumbrance
 - Crops and timber
 - The dreaded timeshare



Personal Property

• Special considerations

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- Marketability at a fair price
- Expenses while being held
- Restrictions, reservations and other limitations
- Alignment with organizations needs and goals
- Charitable deduction
 - "Ordinary Income" property
 - "Related use" rule



Related Use Rule

- Consider contribution of a Bridgeport Milling Machine
 - Current Fair Market Value: \$17,500
 - Book Value (after depreciation): \$5,000
- Charitable deduction:

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- \$17,500 Contributed to vocational/technical school
- \$5,000 Contributed to child care center



- Donors should transfer the item itself, not the proceeds from the sale
- Helpful donors who offer to pre-arrange a sale
- Gifts of services generally not deductible
- Gifts of art from the artist





To ask a question click the Q&A button at the bottom

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Still Have a Question?

Contact: Craig Wruck Senior Advisor PG Calc

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PARTNER IN PLANNED GIVING SUCCESS

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