


PG Calc YOUR PARTNER IN PLANNED GIVING SUCCESS



Fundamentals of Planned Giving

Part Three: Assets Used for Charitable Contributions

Date: July 23, 2024
Time: 1:00 – 2:30 Eastern
Presenter: Craig Wruck
Senior Advisor, PG Calc

1

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Agenda

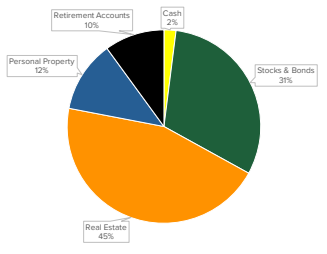
- Review key income tax aspects of non-cash gifts
- Securities – stocks, bonds, and mutual funds
- Fair market value, appraisals, and Form 8283
- Real estate
- Personal property

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2

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Personal Wealth



Asset Class	Percentage
Real Estate	45%
Stocks & Bonds	31%
Retirement Accounts	10%
Personal Property	12%
Cash	2%

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3

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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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4

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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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5

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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

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6

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Securities: Stock

- Equity ownership
 - Share value varies with value of the enterprise
 - May 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

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6

7

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Securities: Bonds

- Debt obligation – an IOU
 - Price varies inversely with interest rates
- Many types – Corporate, municipal, U.S. government, zero coupon, U.S. Savings
 - Savings bonds do not make good lifetime gifts
- Contribution mechanics

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7

8

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Securities: Bonds Prices

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

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8

9

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Securities: Mutual Funds

- Pooled investment funds
 - More than 9,000 funds in 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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10

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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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11

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Securities: Depreciated Property

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

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12

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Fair Market Value and Appraisals

- 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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13

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Substantiation Requirements

- Donors must have a "contemporaneous written acknowledgement" to substantiate charitable deductions (see IRS Publication 1771)
- 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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14

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Form 8283

8283 Non-cash Charitable Contributions

Section 170(e)(2)(B) requires a donor to file Form 8283 with the tax return to substantiate the value of non-cash property contributed to a charity. The donor must also file Form 8283 with the charity's acknowledgment.

Part I Donor information and identifying number for the tax return where the original charitable deduction was originally reported (if different from above).

Part II Recipient information.

Part III Description of property and other information. The donor must describe the property and other information in Part III. The donor must also provide the estimated value of the property and other information in Part III. The donor must also provide the estimated value of the property and other information in Part III.

Part IV Valuation method used and other information. The donor must describe the valuation method used and other information in Part IV. The donor must also provide the estimated value of the property and other information in Part IV.

Part V Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part V.

Part VI Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part VI.

Part VII Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part VII.

Part VIII Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part VIII.

Part IX Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part IX.

Part X Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part X.

Part XI Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part XI.

Part XII Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part XII.

Part XIII Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part XIII.

Part XIV Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part XIV.

Part XV Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part XV.

Part XVI Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part XVI.

Part XVII Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part XVII.

Part XVIII Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part XVIII.

Part XIX Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part XIX.

Part XX Appraisal information. If the donor has obtained a qualified appraisal, the donor must provide the appraisal information in Part XX.

7/23/2024 14

15

PG Calc YOUR PARTNER IN PLANNED GIVING SUCCESS **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. If you need more space, attach a statement. See instructions.

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			
B			
C			
D			

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).

(e) Date of the contribution	(f) Date acquired by donor (mo., yo.)	(g) How acquired by donor	(h) Donor's cost or adjusted basis	(i) Fair market value (see instructions)	(j) Method used to determine the fair market value
A					
B					
C					
D					

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16

PG Calc YOUR PARTNER IN PLANNED GIVING 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 required for items reportable in Section B and in certain cases must be attached. See instructions.

Part I Information on Donated Property

2 Check the box that describes the type of property donated. See instructions for definitions.

a <input type="checkbox"/> Art (contribution of \$20,000 or more)	d <input type="checkbox"/> Other real estate	i <input type="checkbox"/> Vehicles
b <input type="checkbox"/> Qualified conservation contribution	e <input type="checkbox"/> Equipment	j <input type="checkbox"/> Clothing and household items
b(1) <input type="checkbox"/> Certified historic structure	f <input type="checkbox"/> Securities	k <input type="checkbox"/> Digital assets
NPS # _____	g <input type="checkbox"/> Collectibles	l <input type="checkbox"/> Other
c <input type="checkbox"/> Art (contribution of less than \$20,000)	h <input type="checkbox"/> Intellectual property	

3 **(a)** Description of donated property if you need more space, attach a separate statement. **(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		
B		
C		

(d) Date acquired by donor (mo., yo.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) Fair market value, after amount received	(h) Qualified conservation contribution related basis (see instructions)	(i) Amount claimed as a deduction (see instructions)
A					
B					
C					

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17

PG Calc YOUR PARTNER IN PLANNED GIVING SUCCESS **Form 8283 - Acknowledgements**

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 required for items reportable in Section B and in certain cases must be attached. See instructions.

Part I Information on Donated Property

2 Check the box that describes the type of property donated. See instructions for definitions.

a <input type="checkbox"/> Art (contribution of \$20,000 or more)	d <input type="checkbox"/> Other real estate	i <input type="checkbox"/> Vehicles
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c <input type="checkbox"/> Art (contribution of less than \$20,000)	h <input type="checkbox"/> Intellectual property	

3 **(a)** Description of donated property if you need more space, attach a separate statement. **(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		
B		
C		

(d) Date acquired by donor (mo., yo.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) Fair market value, after amount received	(h) Qualified conservation contribution related basis (see instructions)	(i) Amount claimed as a deduction (see instructions)
A					
B					
C					

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18

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

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19

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- Special considerations
 - 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

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20

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- Consider contribution of a Bridgeport Milling Machine
 - Current Fair Market Value: \$17,500
 - Book Value (after depreciation): \$5,000
- Charitable deduction:
 - \$17,500 - Contributed to vocational/technical school
 - \$5,000 – Contributed to child care center

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21

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Notes on Non-cash Gifts & Gifts-in-kind

- 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

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22

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

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23

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Still Have a Question?

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24
