



# Fundamentals of Planned Giving

## Part 3: Assets Used for Charitable Contributions



Date: March 16, 2016  
Time: 1:00 – 2:30 Eastern Time  
Presenter: Craig C. Wruck  
Vice President, Advancement  
Humboldt State University



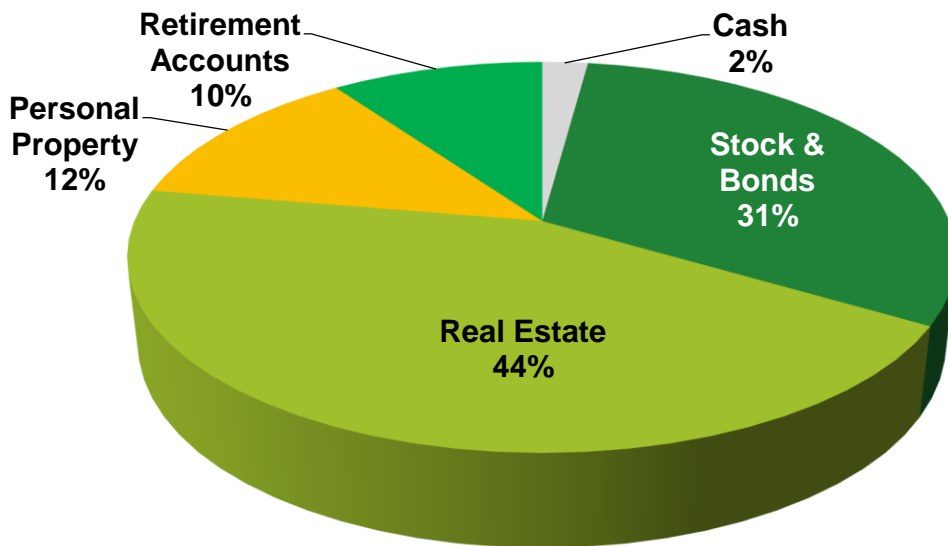


## Agenda

- Review income tax aspects of non-cash gifts
- Securities – investments including stocks, bonds, and mutual funds
- Fair market value and appraisals
- Real Property – real estate of all types
- Personal Property – tangible objects and intangible rights



## What percent of personal wealth is cash?





## 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



## 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 avoided on transfer of long term capital gain property to charity



## After-tax Cost of a Gift

Assume a donor in the 28% 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	2,800	2,800
Capital gains taxes avoided	- -	1,200
After-tax cost of gift	\$7,200	\$6,000



## 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

Pages 1-3



## 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





## Securities: Bond Prices

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

Interest Rate	Bond Value	
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

Bond values change inversely to interest rates.



## Securities: Mutual Funds

- Pooled investment funds
  - More than 14,000 funds worth \$15 trillion
  - More than 23% of household personal wealth
- Dividend reinvestment programs
- Transfer complexity
- Beware: short-term = limited deduction



## Depreciated Securities

**“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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## Gift of Depreciated Property

Assume a donor in the 28% tax bracket is considering a contribution of securities now worth \$10,000 that cost \$15,000 (\$5,000 loss).

	Gift of Securities	Sell and Give Cash
Contribution	\$10,000	\$10,000
Income taxes saved	2,800	2,800
After-tax cost of gift	\$7,200	\$7,200
Capital loss (potentially used to off-set other capital gains)	-0-	\$5,000



## What Percent of Households Give?

Answer:



# Questions?





## 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

**Noncash Charitable Contributions**  
 Attach to your tax return if you claimed a total deduction  
 of over \$500 for all contributed property.

Information about Form 8283 and its separate instructions is at [www.irs.gov/form8283](http://www.irs.gov/form8283).

Name(s) shown on your income tax return

Identifying number

**Note.** Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

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

**Part I Information 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 of donated property (For a vehicle, enter the year, make, model, and mileage. For securities, enter the company name and the number of shares.)
A		<input type="checkbox"/>	
B		<input type="checkbox"/>	
C		<input type="checkbox"/>	
D		<input type="checkbox"/>	
E		<input type="checkbox"/>	

**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						
B						
C						
D						
E						

**Part II Partial Interests and Restricted Use Property**—Complete lines 2a through 2e if you gave less than an entire interest in a property listed in Part I. Complete lines 3a through 3c if conditions were placed on a contribution listed in Part I; also attach the required statement (see instructions).

- 2a Enter the letter from Part I that identifies the property for which you gave less than an entire interest ▶ \_\_\_\_\_  
 If Part II applies to more than one property, attach a separate statement.
- b Total amount claimed as a deduction for the property listed in 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 above):  
 Name of charitable 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
3a Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property? . . . . .		
b Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire? . . . . .		
c Is there a restriction on the right to receive any part of the property? . . . . .		

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 82290J

Form **8283** (Rev. 12-2013)



**Noncash Charitable Contributions**

▶ Attach to your tax return if you claimed a total deduction of over \$500 for all contributed property.

▶ Information about Form 8283 and its separate instructions is at [www.irs.gov/form8283](http://www.irs.gov/form8283).

OMB No. 1545-0008

Attachment Sequence No. **155**

Name(s) shown on your income tax return

Identifying number

**Note.** Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

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

**Part I Information 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 of donated property (For a vehicle, enter the year, make, model, and mileage. For securities, enter the company name and the number of shares.)
A		<input type="checkbox"/>	
B		<input type="checkbox"/>	
C		<input type="checkbox"/>	
D		<input type="checkbox"/>	
E		<input type="checkbox"/>	

**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						
B						
C						
D						
E						

**Part II Partial Interests and Restricted Use Property**—Complete lines 2a through 2e if you gave less than an entire interest in a property listed in Part I. Complete lines 3a through 3c if conditions were placed on a contribution listed in Part I; also attach the required statement (see instructions).

**2a** Enter the letter from Part I that identifies the property for which you gave less than an entire interest ▶ \_\_\_\_\_  
If Part II applies to more than one property, attach a separate statement.

**b** Total amount claimed as a deduction for the property listed in 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 above):  
Name of charitable 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
<b>3a</b> Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property? . . . . .		
<b>b</b> Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire? . . . . .		
<b>c</b> Is there a restriction limiting the donated property for a particular use? . . . . .		

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 62299J

Form **8283** (Rev. 12-2013)

Name(s) shown on your income tax return

Identifying number

**Section B. Donated Property Over \$5,000 (Except Publicly Traded Securities)**—List in this section only items (or groups of similar items) for which you claimed a deduction of more than \$5,000 per item or group (except contributions of publicly traded securities reported in Section A). An appraisal is generally required for property listed in Section B (see instructions).

**Part I Information on Donated Property**—To be completed by the taxpayer and/or the appraiser.

- 4 Check the box that describes the type of property donated:
- a  Art\* (contribution of \$20,000 or more)
  - b  Qualified Conservation Contribution
  - c  Equipment
  - d  Art\* (contribution of less than \$20,000)
  - e  Other Real Estate
  - f  Securities
  - g  Collectibles\*\*
  - h  Intellectual Property
  - i  Vehicles
  - j  Other

\*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, dolls, etc., but not art as defined above.

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

S	(a) Description of donated property (if you need more space, attach a separate statement)	(b) If tangible 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				

A	(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	See instructions	
					(h) Amount claimed as a deduction	(i) Date of contribution
B						
C						
D						

**Part II Taxpayer (Donor) Statement**—List each item included in Part I above that the appraisal identifies as having a value of \$500 or less. See instructions.

I declare that the following item(s) included in 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 Part I and describe the specific item. See instructions. ▶

Signature of taxpayer (donor) ▶

Date ▶

**Part III 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 8263 may subject me to the penalty under section 6701(a) (aiding and abetting the understatement of tax liability). In addition, I understand that I may be subject to a penalty under section 6695A if I know, or reasonably should know, that my appraisal is to be used in connection with a return or claim for refund and a substantial or gross valuation misstatement results from my appraisal. I affirm that I have not been barred from presenting evidence or testimony by the Office of Professional Responsibility.

**Sign**

Here Signature ▶

Title ▶

Date ▶

Business address (including room or suite no.)

Identifying number

City or town, state, and ZIP code

**Part IV Donee Acknowledgment**—To be completed by the charitable organization.

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 8262, 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? ▶  Yes  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

110

110

Name(s) shown on your income tax return

Identifying number

**Section B. Donated Property Over \$5,000 (Except Publicly Traded Securities)**—List in this section only items (or groups of similar items) for which you claimed a deduction of more than \$5,000 per item or group (except contributions of publicly traded securities reported in Section A). An appraisal is generally required for property listed in Section B (see instructions).

**Part I Information on Donated Property**—To be completed by the taxpayer and/or the appraiser.

**4** Check the box that describes the type of property donated:

- a**  Art\* (contribution of \$20,000 or more)
- b**  Qualified Conservation Contribution
- c**  Equipment
- d**  Art\* (contribution of less than \$20,000)
- e**  Other Real Estate
- f**  Securities
- g**  Collectibles\*\*
- h**  Intellectual Property
- i**  Vehicles
- j**  Other

\*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, dolls, etc., but not art as defined above.

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

5	(a) Description of donated property (if you need more space, attach a separate statement)	(b) If tangible 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			

A	(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	See instructions	
					(h) Amount claimed as a deduction	(i) Date of contribution
B						
C						
D						

**Part II Taxpayer (Donor) Statement**—List each item included in Part I above that the appraisal identifies as having a value of \$500 or less. See instructions.

I declare that the following item(s) included in 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 Part I and describe the specific item. See instructions. ▶

Signature of taxpayer (donor) ▶

Date ▶

**Part III 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). In addition, I understand that I may be subject to a penalty under section 6695A if I know, or reasonably should know, that my appraisal is to be used in connection with a return or claim for refund and a substantial or gross valuation misstatement results from my appraisal. I affirm that I have not been barred from presenting evidence or testimony by the Office of Professional Responsibility.

**Sign**

**Here**

Signature ▶

Title ▶

Date ▶

Business address (including room or suite no.)

Identifying number

City or town, state, and ZIP code

**Part IV Donee Acknowledgment—To be completed by the charitable organization.**

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? . . . . . ▶  Yes  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

Form **8283** (Rev. 12-2013)

**Part IV Donee Acknowledgment**—To be completed by the charitable organization.

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? . . . . . ►  Yes  No

Name of charitable organization (donee)	<b>Employer identification number</b>	
Address (number, street, and room or suite no.)	City or town, state, and ZIP code	
Authorized signature	Title	Date

Form **8283** (Rev. 12-2013)



## Other Pitfalls

- Section B: “items (or groups of similar items)”
- Qualified Appraisal:
  1. Specific education or professional designation
  2. Regularly prepares appraisals for pay
  3. Demonstrates verifiable expertise
  4. Fee is not based upon appraised value
- Form 8282



## Who Gives the Largest Share to Charity?

Answer:





# Questions?





## Real Property

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

Pages 6-9



## Personal Property

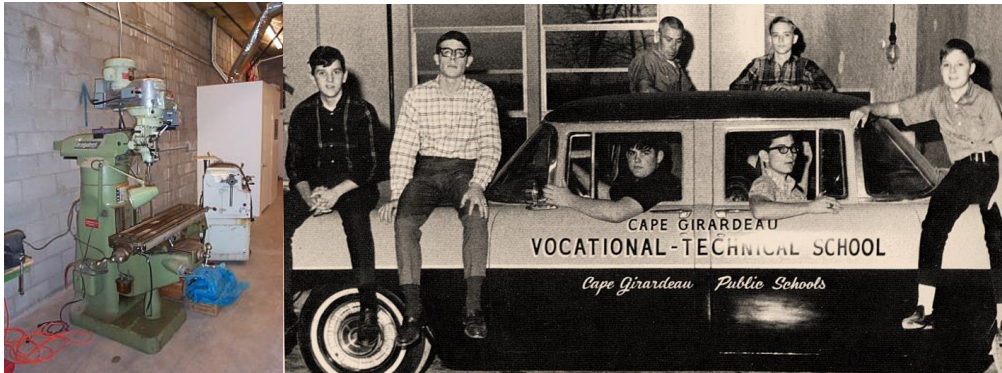
- Special considerations
  - Marketability at a fair price
  - Expenses while being held
  - Restrictions, reservations and other limitations
  - Alignment with organizations needs and goals
  
- “Related use” rule
  - Outright gifts
  - Caveats for certain life income gifts

Pages 10-11



## Related Use Rule

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





## Notes on Non-cash Gifts

- Gifts of services – generally not deductible
- Gifts of art from the artist
- Donors should transfer the non-cash item itself, not the proceeds from the sale
- Helpful donors: pre-arranged sale



## Still Have a Question?

**Contact:** Craig Wruck

**E-mail:** [craig.wruck@gmail.com](mailto:craig.wruck@gmail.com)