# Fundamentals of Planned Giving Part 3: Assets Used for Charitable Contributions

Time: Presenter:



PG Calc

July 30, 2014 1:00 – 2:30 Eastern Time Craig C. Wruck Vice President, Advancement Humboldt State University



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## 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

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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 avoided on transfer of long term capital gain property to charity

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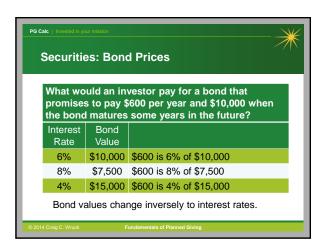
After-tax Cost of a Gift		
Assume a donor in the 28% tax to contribution of \$10,000 either in securities with a cost basis of \$2	cash or in a	ppreciated
	Cash	Securities
Contribution	\$10,000	\$10,000
	2,800	2,800
Income taxes saved	_,	
Income taxes saved Capital gains taxes avoided		1,600

# PG Cale | Invested in your mission 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

### ck Fundamentals of Planned Giving

# PC Calc Version Process 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 Page 4





- · Dividend reinvestment programs
- Transfer complexity
- Beware: short-term = limited deduction

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# PG Cale | Invested In your mission Depreciated Securities

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# "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

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· Selling might make better sense

Gift of Depreciated Prope	erty	7
Assume a donor in the 28% tax contribution of securities now w \$15,000 (\$5,000 loss).		
	Gift of Securities	Sell and Give Cash
Contribution	\$10,000	\$10,000
Continuution		
Income taxes saved	2,800	2,800
	2,800 \$7,200	2,800 \$7,200

# Fair Market Value and Appraisals

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- 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





	8283			aritable Contri eturn it you claimed a t		OMD No. 1545-0900
Departs	ocomber 2013) ment of the Tesasury Ference Service		of over \$500	for all contributed prop		Attachment Sequence No. 155
Nameth	s) shown on your inc	come tax return				Identifying number
Note	Figure the arrow	ount of your contribution	ation deduction before	are completing this for	m. See your tax return in	structions.
						his section only items
	groups	s of similar items	) for which you	claimed a deductio	n of \$5,000 or less.	Also, list publicly trad
	securit	ties even if the de-	duction is more th	an \$5,000 (see instr	ructions).	
Par	ti Inform	ation on Donate	d Property-If you	u need more space,	attach a statement.	
۱		me and address of the once organization	sheck the br	property is a vehicle (see in as, Also enter the vehicle ide (unless Form 1998-C in atta	ntification for a vehicle, of mileage. For soon	ription of donated property enter the year, make, model, and rities, enter the company name a s number of shares.)
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Note.	If the amount ;	you claimed as a de	duction for an item	is \$500 or less, you de	o not have to complete o	olumns (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	(ne instructions)	Method used to determine the tait market value
A		-				
В						
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Name	nt) shown on your inco	mo tax return				Identifying number
Sect	for whic	roperty Over \$5,000 (Exce h you claimed a deduction I in Section A). An appraisal	of more than \$5,000	) per item or group (exce	pt contributions of	publicly traded securit
Pa	rti Inform	ation on Donated Prop	erty-To be com	pleted by the taxpaye	r and/or the appr	raiser.
4	Check the box th	hat describes the type of prop	erty donated:			
	a Art" (contribu	tion of \$20,000 or more)	b 🗌 Qualified	Conservation Contribution	e 🗌 Equipme	nt
	d 🗌 Art' (contribu	tion of less than \$20,000)	e 🗌 Other Rei	al Estate	f 🗌 Securities	
	g Collectbles"		h 🗌 Intellectur	al Property	Vehicles	
	Conwr					
Col	<ul> <li>In certain cases, y</li> <li>(a) Description</li> </ul>	stamps, books, gems, jewelry, sp ou must attach a qualified app of donated property of you need attach a semante statement.	(b) If tangible pro-	See instructions. sporty was donated, give a brief	f summary of the overal	(e) Appraised fair
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Note 5	lectibles include coins, a. In certain cases, y (a) Description	ou must attach a qualified app at donated property (if you need	(b) If tangible pro-	See instructions. sporty was donated, give a brief	f summary of the overal	
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Part II	Declaration of Appraise	R. C.	
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of proper traudulent abetting tr appraisal	rty being valued. I certify that the apprainal it overstatement of the property value as de the understatement of tax liability). In addition	seeis; and that because of my qualifications as described in it does were not based on a preventing of the appended p socioed in the qualified apprainal or the Form 1253 may so in, Londenstand that Limity be subject to a ponenty under sec of date for related and a substantial or groos valuation ment by the Office of Professional Responsibility.	property value. Furthermore, I understand that a false bject me to the penalty under section 6701(a) (aiding a 3ion 6605A if I know, or reasonably should know, that r
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Business	address including room or suite no.)		Identifying number
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Authorized sig	ubze	Title	Date	
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**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

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# Real Property

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

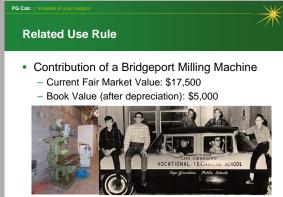
Pages 6-9

# 

als of Plan

Pages 10-11

- Outright gifts
- Caveats for certain life income gifts



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# 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

