

Gifts of Property

Where Local Good Grows

Hendricks County Community Foundation

Opportunities and Benefits

Throughout history, individuals have made all manner of gifts to charity—from tobacco and rum to equities, life insurance, and real estate. Whatever the gift, there are numerous ways for people to give and countless benefits associated with those gifts.

Gifts of Marketable Securities

Stocks, bonds and other readily marketable securities are easy to donate and there are definite tax advantages.

Receive an income tax charitable deduction

The charitable deduction is based on the full fair market value of the stocks, bonds or mutual fund shares. If you give stock worth $10,000, you can claim this full amount as an income tax deduction on an itemized tax return, even though you may have purchased the security for substantially less.

The deduction allowable for a gift of long-term, appreciated securities cannot exceed 30% of adjusted gross income. Any excess can be carried over and deducted in up to five subsequent years. For securities held for one year or less, the charitable deduction is limited to the cost basis.

Avoid the capital gains tax

No matter how much assets have appreciated, a charitable gift will not be subject to capital gains tax. This important tax incentive is intended to encourage charitable gifts of appreciated property.

EXAMPLE: Jim owned 100 shares of stock that he bought ten years ago for $2,500. A week ago, he instructed his broker to transfer the stock to us, and the gift was completed that day. On the day of the gift, that particular stock sold for a high of 85¾ and a low of 84¼.

Jim qualifies for a charitable deduction of the mean between the high and low sales price for the day of his gift—in this case, $8,500. He also avoids paying any capital gains tax on the $6,000 appreciation.

The after-tax cost of Jim's generous gift will depend on his federal income tax bracket (and remember, a 3.8% surtax can apply to capital gains in addition to the normal 15% or 20% rate).

	35% tax bracket
Value of gift	$8,500
Charitable deduction saves	$2,975
Capital gains tax avoided (15%)	+900
Total tax savings	$3,875

Gifts of Closely Held Stock

A charitable gift of closely held stock presents a unique opportunity, especially when the closely held corporation has substantial accumulated profits. After the stockholder has completed the gift, the charity can accept an offer from the corporation to buy the stock back and retire it. This gives the stockholder approximately the same percentage of control as before. Of course, the fair market value of the closely held stock is deductible as a charitable contribution, and no capital gains tax is due no matter how much the stock has appreciated.

Real Estate Gifts

A gift of real estate to charity provides similar benefits. You can:

- Avoid capital gains taxes (when applicable)
- Deduct the full fair market value of the property—assuming it qualifies as long-term appreciated property, it has no mortgage debt against it, and you are not in the business of buying and selling real estate

A gift of a fractional interest in a vacation home
A charitable deduction is also available for a gift of a fractional interest in real estate. This type of gift can be especially rewarding if you own a vacation home that you only use for part of the year.

> **EXAMPLE:** Mary and Paul own a lake home that they use for a few months in the summer. They can give us a 50% interest in the property, gain a tax deduction, and still enjoy a right to use and occupy the property for six months of the year.

A gift of a remainder interest in a residence or farm
An immediate income tax charitable deduction is available for an outright gift of a remainder interest in a home or farm. You may retain an absolute right to occupy the home or farm for life (or you may give family members a right to lifetime occupancy). The property passes to us only at the end of all lifetimes.

If you itemize, you may deduct the present value of our right to receive the property at some later date. The age of the “life tenant(s)” is the primary factor in determining the present value of our deferred interest and the resulting allowable charitable deduction. Contact us for an illustration showing the potential charitable deduction and to learn about other financial factors involved in these gifts.

Life Insurance Gifts

Some people own life insurance policies that are no longer needed to protect a family's financial security. You can give us a paid-up life insurance policy and deduct the fair market value (equal to the cost to replace the policy with a single-premium policy). If premiums are still due, the fair market value is the interpolated terminal reserve (slightly less than the cash surrender value) plus unearned premiums. In either case, you can deduct either the replacement value or the basis in the policy (whichever is less).

Tangible Personal Property Gifts

Antiques, artwork, jewelry, and rare book collections are just a few examples of tangible personal property you can use to make charitable gifts. The full fair market value of these gifts is deductible provided we use the property for our charitable exempt purpose. Otherwise, the deduction is limited to the property's adjusted cash basis.

The maximum capital gains tax rate for most long-term appreciated assets is 20%, but the rate jumps to 28% for tangible personal property (collectibles). It is possible that a well-planned gift of a collectible may generate a larger capital gains tax savings than other long-term appreciated property—assuming, of course, it is used for our charitable exempt purposes. Our staff can help you and your advisors plan your gift so that you enjoy maximum tax benefits.

Life Income Plans

You can also use long-term appreciated property to fund "life income gift plans." A life income plan is an arrangement that pays income to you and/or your designated beneficiaries for life, then transfers the property to us after all income benefits have been exhausted.

A life income gift plan most often takes the form of a charitable remainder trust or a gift annuity. The best plan depends on the size of the gift, your age and your desire for a fixed or variable income arrangement.

A carefully arranged life income gift plan offers many benefits, including:

- An increase in spendable income
- A potential reduction in taxes
- Recognition for making a gift that will have a lasting impact on our future

You Can Depend on Us

Let us know if you want to explore one or more of the many opportunities and benefits available when you make a gift of property. Our professional development team is highly qualified and will be happy to meet with you and your advisors to craft a plan that will meet your needs.



OUR MISSION:

The Hendricks County Community Foundation partners with generous people to realize their charitable goals while addressing community needs in meaningful and lasting ways.

OUR VISION:

Hendricks County is a vibrant, giving community.

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Hendricks County Community Foundation

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