



Maximizing Tax Planning Through Pre-transaction In-kind Charitable Contributions

The tax benefits of an “in-kind” donation to charity should be considered when donors have a possible sale on the horizon for any of the following appreciated assets:

- Business Ownership
- Real Estate
- Oil & Gas Royalties
- Intellectual Property

Get up to 2X the tax benefit from a pre-transaction “in-kind” gift

The tax code allows for a full charitable deduction of the FMV of most non-cash gifts to charity. Additionally, charities don’t pay tax on the long-term gain portion of investments they sell. Here’s an example to illustrate how to double your deduction:

Example: If you have a business worth \$10M with little to no basis, and you donate 10% of your business BEFORE you sign a contract for sale, you get a \$1M charitable deduction. When the business sells, you own 90% and receive \$9M of the sale proceeds. After deducting the \$1M for the 10% ownership transferred to charity per-transaction, you pay tax on \$8M. The charity doesn’t pay tax on long-term capital gains, so there is no tax assessed on the 10% owned by charity. The total tax bill to the donor is \$1,904,000 (23.8% x \$8M).

Contrast that with what would the tax bill would have been without a pre-transaction gift to charity. Donor’s sale value received would have been the full \$10M, then they would have donated \$1M of cash to charity, and their tax bill would have been \$2,142,000 (23.8% x \$9M). The difference in tax savings is \$238,000, which is exactly equal to the tax savings from the cash donation of \$1M at 23.8% tax rate. The pre-transaction gift DOUBLED the tax benefit.

Nuances for Consideration

The gift of business, real estate, or other complex non-cash assets is a complicated section of the tax code. Each gift of this kind will require an analysis of the facts and circumstances to determine the viability and exact tax benefit of a pre-transaction in-kind donation. Schubert & Company has made these kinds of transactions a practice focus. With multiple tax CPA’s on our staff, we work closely with the tax attorneys at National Christian Foundation, Waterstone, and The Signatry to analyze each client giving opportunity given each set of circumstances.

To discuss your situation with one of our charitable planning professionals, call 972-422-1010 or e-mail us at info@schubertandcompany.com.

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