



# "Giving" Advice



**TOLEDO COMMUNITY  
FOUNDATION**  
300 MADISON AVENUE  
SUITE 1300  
TOLEDO, OHIO 43604

419-241-5049  
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## ABOUT YOUR FOUNDATION

Since 1973, the **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors

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## Philanthropy Looks Beyond Cash

The current economic climate is proving to be daunting to many philanthropists. As a result, these otherwise generous individuals may choose to hold on to their liquid assets. Yet there are options: Community foundations are well equipped to turn donors' complex assets into the funds needed to fulfill philanthropic desires and generate tax and estate planning benefits.

Community foundations are adept at solving difficult philanthropic gifting issues—just ask the experts. “They are the best place for donors to go if they want to work on complex gifting strategies,” says Bryan Clontz, president of Charitable Solutions LLC, who has overseen the gifting of book revenue streams and a partial interest in an NFL team. And statistics bear out the fact that community foundations are successful at facilitating such transactions: According to Clontz, illiquid assets account for approximately 15 percent to 35 percent of the incoming assets of the nation's 50 largest community foundations.

## Everyone Benefits

Giving appreciated illiquid assets, such as real property or an interest in a closely held business, can present excellent advantages to the donor, including an immediate income tax deduction reflecting the asset's market value. What's more, the donor also avoids capital gains tax consequences. For someone in the 35 percent tax bracket, donating an asset worth \$100,000 could translate into a \$35,000 tax write-off. The gift can be made either to the community foundation's general fund or into a donor-advised fund to be disbursed to multiple causes over time. By comparison, donors can deduct gifts of these assets to family foundations only up to the amount of the acquisition price—not the current market value.

Gifting complex assets can also simplify a donor's estate planning considerations. For example, consider a couple who own all 500 shares of their privately held business. Through the years, they've used the

transform their philanthropic impulse to measurable community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

annual gift exclusion to transfer 200 shares to their heirs. However, the company has now appreciated sufficiently to trigger taxes on further transfers. Bearing these conditions—and their promise to maintain a family-held business—in mind, the couple donates 100 shares to a community foundation. The company then buys back the shares over time, paying the community foundation their fair market value, and retires them as Treasury shares. The heirs' 200 shares now represent 50 percent of the company, rather than the previous 40 percent.

### **Experienced Advice**

Donating complicated assets requires some due diligence and preparation to ensure legal compliance, since the tax code does not treat all illiquid assets equally. What's more, the IRS requires any gift of \$5,000 or more to be valued through an independent appraisal, and it also negates the capital gains deduction on gifts given once a legally binding sale agreement is in place. "Advanced planning is essential," says Reynolds T. Cafferata, an attorney with Rodriguez, Horii, Choi & Cafferata LLP in Los Angeles. Cafferata notes that certain transactions, such as donating interest in a promissory note or shares in a partnership with net debt, can trigger immediate taxable income for the donor. He advises that donors are better off selling net-loss assets and then donating the cash—thereby reaping both the capital loss and the gift-amount tax benefits.

One donation area many people overlook because of its assumed complexity is real estate holdings, says Peter Espenshade, vice president of the Vermont Community Foundation. "Property is a wonderful asset to give," he says, citing tax benefits to the donor and flexibility of use to the donee. Outright land gifts are popular with those who seek to minimize estate taxes and support charities. In his role with the Vermont CF, Espenshade has also worked with donors to gift second homes, using retained-life benefit arrangements. In these arrangements, the donor gifts the property immediately but keeps the right to live on the property for life (or some number of years) in exchange for paying property taxes and upkeep. Others have donated conservation easements on parts of property in cases where they want to see the land preserved in perpetuity.

Whatever form your clients' gifts may take, community foundations are an excellent option for handling complicated transactions to ensure immediate tax benefits while providing the flexibility to make gifts to multiple charities. Clontz adds, "Even in difficult times, donors still want to make gifts, and those gifts have an even greater impact right now. Community foundations are perfectly situated to help donors support their favorite causes."

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