

# Types of Gifts Q & A

From a donor’s perspective, selecting the “right” assets to give is an important consideration. Tax consequences, transaction ease, and timing of the gift can vary by gift type.

The following table outlines the current charitable income tax deductions available to individuals for gifts of different kinds of property. *Note:* Contributions in excess of the percentage limitation may be carried over for charitable deduction purposes in the subsequent five tax years.

Type of Contribution	Amount that can be deducted	Percentage of Adjusted Gross Income that can be deducted in one year
<b>Cash</b>	Cash Value	50%
<b>Ordinary income property</b> , such as inventory, depreciable property, agricultural projects, oil and gas property, Section 306 stock, original issue discount debt instruments, artwork by its creator and other property, the sale of which at fair market value would yield ordinary income	Cost Basis	50%
<b>Short term capital gain property</b> (held less than 12 months) such as stocks, bonds, and other capital assets, the sale of which at fair market value would yield short term capital gain	Cost Basis	50%
<b>Long term capital gain property</b> (held more than 12 months) such as stocks, bonds, and other capital assets, the sale of which at fair market value would yield long term capital gain	Fair Market Value	30%
<b>Long term appreciated real property</b>	Fair Market Value	30%
<b>Tangible personal property</b> , if the recipient’s use of the property is related to its exempt purpose or function. Unrelated use limits deduction to cost basis but the 50% ceiling applies.	Cost Basis	30%

If your client wishes to make a gift of a specific asset to a nonprofit that is not experienced in accepting that type of asset, please let us know, as we may be able to help facilitate the gift.

## Why is gifting appreciated stock more tax-efficient than cash?

With either a gift of cash or securities, the amount available for income tax deduction would be the same—\$10,000. If you are in the 39.6% income tax bracket, your net cost of a cash gift would be \$6,040. But if you give securities that you purchased for \$2,000, you could also avoid the payment of \$1,600 in capital gains tax and \$304 in Medicare Tax. The net cost of the gift: just \$4,136.

	Cash	Appreciated Property
<b>Current fair market value of gift</b>	\$10,000	\$10,000
<b>Cost basis</b>	\$10,000	\$2,000
<b>Income tax savings</b> (assuming 39.6% income tax bracket)	\$3,960	\$3,960
<b>Capital gains tax avoided</b> (assuming 20% capital gains bracket)	\$0	\$1,600
<b>Medicare tax on investment income avoided</b> (3.8% tax)	\$0	\$304
<b>Net cost of gift</b>	\$6,040	\$4,136

## What should I know about gifts of closely held stock?

Since there is not a public market for closely held stock, please contact us if you are considering making a gift to CFHZ with this type of asset. We will need a contemporaneous valuation of closely held stock exceeding \$10,000 for the purposes of preparing IRS Form 8283. CFHZ will also need to conduct an extra layer of due diligence to ensure that we can accept and later sell the stock. If CFHZ sells the stock within two years of its receipt, we must file Form 8282 informing you and the IRS of the sale of the stock. Because the process takes extra time, please begin the gifting process by early December if the gift is to be completed by year's end.

## What should I know about gifts of real estate?

Because most real estate is not easily liquidated and because of the significant responsibilities to third parties that can arise from ownership of real estate, we ask that you contact CFHZ if you are considering making a gift of real estate. This will enable us to conduct appropriate environmental, title, and other due diligence.

If you are considering a gift to CFHZ of an interest in real estate that you otherwise expect to sell in the near future, please do not agree to a buy-sell agreement before contacting CFHZ and giving the real estate to CFHZ. Doing so can jeopardize your tax deduction and our ability to accept property if due diligence or the terms of the transaction would expose CFHZ to risks it cannot assume.

In addition, prior to CFHZ's acceptance of a gift of real estate, you will be required to provide, at your expense, a signed, written agreement stating the terms of the gift and the value of the gift. As in the case of gifts of closely held stock, CFHZ will advise you if we sell or liquidate within two years of receipt of the gift any real estate that was listed on IRS Form 8283. CFHZ is required to file a report with the IRS on Form 8282 reporting the actual proceeds and other facts about the sale, and you will be provided with a copy of the report as well.