

Charitable Giving Opportunities for Nonprofit Organization Staff and Boards

Quick Tips for Tax-Exempt Organizations



Board members, development officers, and other staff of Section 501(c)(3) organizations often have conversations with prospective donors about giving. These Quick Tips summarize the most common types of charitable gifts.

Quick Tips

Categories of Gifts

- Outright during life – charity becomes immediate owner
- Outright at death – charity becomes owner at donor's death
- Planned gifts – provide benefits to donor/family and charity over time; can be funded during donor's life or at donor's death

Outright Lifetime Gifts

- Suitable assets
 - cash
 - publicly traded stocks and bonds
- Assets that may be suitable
 - real estate
 - interests in closely held businesses
 - farm commodities and farm machinery
 - assets of IRAs and other retirement accounts
 - artwork
- Unsuitable assets
 - contracts for deed (on sale of real estate)
 - commercial annuity contracts
 - real estate subject to purchase agreement or option
- Tax benefits to donor
 - Current income tax deduction, normally based on fair market value
 - Gift of an appreciated asset normally generates no capital gains tax
 - Charity must provide receipt for gift of \$250 or more
 - In some cases, donor must obtain appraisal of donated asset

Outright Gifts at Death

- Types of gifts:
 - Beneficiary designation for retirement account (IRA, 401(k), etc.)
 - Beneficiary designation for insurance policy
 - Gift provision in donor's will or revocable trust

- Pay-on-death bank account or transfer on death securities
- Transfer-on-death deed
- Tax benefit:
 - No income tax deduction
 - Estate tax deduction/no estate tax on donated property

Planned Gifts

- Charitable gift annuity
 - Transfer of property from donor to charity in exchange for charity's contractual obligation to make fixed payments to donor or others for life
 - Donor is allowed immediate income and gift tax deductions for a portion of the transferred property
 - If funded with appreciated asset, partial avoidance/deferral of capital gain if donor is an annuitant
- Charitable remainder unitrust
 - Donor transfers assets to a trust that pays the donor and/or others a fixed percentage of the annual value of the trust property
 - Payments continue for lives of beneficiaries or a fixed term of 20 or fewer years
 - When payments end, the remaining trust property is distributed to one or more designated charities
 - Donor is allowed immediate income and gift tax deductions for the charity's remainder interest in the trust
 - If trust is funded with an appreciated asset, later sale avoids or defers capital gains tax
- Charitable lead annuity trust
 - Donor contributes assets to a trust that makes fixed annual payments to one or more designated charities for a term of years
 - At the end of the term, the donor's children receive the remaining trust property
 - Donor is allowed gift tax deduction for the charity's interest at the time the donor funds the trust
 - In favorable circumstances, trust can reduce gift and estate tax on ultimate transfer to children

Restrictions on Gifts

- Donor can:
 - specify charity's use of gift
 - direct that charity hold gift as an endowment fund
- Donor cannot:
 - retain ongoing control over charity's use of gift
 - reserve the right to redirect gift to another charity
 - control investment of endowment fund assets