GIFTS OF CLOSELY HELD STOCK

Have you asked your client what a gift of closely held stock could do for their community? Kansas's business owners invest a great deal in the establishment and building of a successful business, and financial resources are only part of the story. In many respects, the building of a family business is the epitome of the American dream – created with equal parts of opportunity, blood, sweat and tears. When it is time to transfer ownership – whether to create income for retirement or to pass on an inheritance – business owners have special opportunities to give something back to their community.

Personal Deduction with Your Corporate Dollars

This is a dynamic opportunity for a donor to help their community with a gift of corporate stock. Transferring shares of their corporation's stock to the Grant County Community Foundation for the benefit of their community can provide the following benefits:

- Provides the satisfaction of making a gift today that can be invested in their community.
- Creates an immediate personal charitable income tax deduction.
- Bypasses capital gains taxes on the gift of stock.
- Avoids declaration and double-taxation of dividends.
- Allows the corporation to buy back the stock.
- Reduces estate taxes and settlement costs.

How This Plan Works

A business owner who owns the majority of the stock in a family business or corporation wants to help build his community's endowment fund with a gift of stock from his corporation. The owner transfers shares of his stock to the Grant County Community Foundation valued at $100,000. As a result of this gift, the business owner becomes entitled to a $100,000 charitable deduction on his personal tax return. Plus, he avoids the capital gains tax on the appreciation of the corporation's stock.

The Grant County Community Foundation sells the stock for $100,000 cash. The gift of stock leaves the business owner in full control of the corporation and without any personal costs.

Finally, the $100,000 cash is placed into a community endowment fund that will assist worthwhile projects into the future.

Key Issues with This Gift

- If the gift value exceeds $10,000 the charitable gift deduction amount must be determined by a qualified stock appraisal.
- There can be no prearranged obligation for the Grant County Community Foundation to sell the stock back to the corporation.
- Corporate repurchase should occur two weeks to two months after the gift is made.
- Corporation's liquidity is needed to repurchase the stock.

Variations of This Plan

- Gift the stock to a Charitable Remainder Trust to receive a lifetime income.

- Make a gift of stock prior to selling the company to receive a personal tax deduction and avoid capital gains taxes.
- Use a combination of the above variations to transfer a corporation to heirs.

Charitable Remainder Trust

A Charitable Remainder Trust is a legal instrument into which your client transfers irrevocably the ownership of assets such as securities or real estate. In return, your client receives an immediate charitable income tax deduction and the right to receive an income. The income payments may be made to your client and/or one or more other loved ones for life or for a limited number of years.

When the trust ends the property remaining in the trust (the charitable remainder) passes to the Grant County Community Foundation to be used according to your client's directions to benefit their community or other favorite charities.

Types of Trusts

Your client can elect to receive a fixed-dollar amount of income called an Annuity Trust. Or, choose to receive a specific percentage of the property in the trust, called a Unitrust. If the value of the property in this type of trust increases, the income will increase. If the value of the property in this trust decreases the income will decrease.

Requirements of Trust

A Charitable Remainder Trust requires a trust document outlining how the trust will operate. A legal advisor should draft this document to assure that it complies with current laws.

In addition, your client may serve as the manager, or "trustee," of their own trust. However, many Kansans choose to engage the services of a professional trustee to handle the details of managing a Charitable Remainder Trust.

What a Charitable Remainder Trust can do

- Give the satisfaction of making a gift today that will be invested in their community in the future.
- Bypass capital gains taxes on gifts of appreciated assets.
- Provide tax-free growth of assets, increasing the value of your trust.
- Increase your income from low yielding investments or property.
- Provide a guaranteed fixed income.
- Pay a variable income as a hedge against inflation.
- Create an immediate charitable income tax deduction.
- Relieve your client of the burdens of management of their assets.
- Allow additional contributions.
- Reduce estate taxes and settlement costs.

Note: The above information is of a general nature and is not intended as legal advice.