

GIFTS OF TANGIBLE PROPERTY

Gifts of tangible personal property present the collector and creator with opportunities to use their collections – large and small - for personal and charitable purposes during their lifetimes and as a part of their overall estate planning.

Tangible personal property is broadly defined in the tax code as any property, other than land or buildings that can be seen or touched. Examples include artwork, jewelry and gems, collectibles, boats, cars, tractors and aircraft, timber, or business inventory and equipment.

Gifts of tangible personal property during lifetime or at death present complex tax, valuation, marketability and authentication issues. It is important to involve the Grant County Community Foundation to ensure the greatest gifting opportunities.

The following frequently asked questions and answers will provide you with some background on these issues.

Q: Is the tangible personal property (TPP) held as inventory by a dealer or as an asset in a collection by an investor?

A: Assets held in a collection for more than one year are taxed as long-term gain property. When gifted the TPP is deductible at full fair market value and bypasses capital gain taxes.

Q: What will the charity do with the TPP?

A: If the TPP is used in a manner related to the charity's exempt purpose, for example, a gift of artwork to an art museum, the deductible amount is the full fair market value of the TPP up to 30% of the donor's adjusted gross income in the year of the gift, with a five year carryover for any excess contribution. If the TPP is not the type of property ordinarily used by the charity the value of the deduction is limited to the donor's cost basis in the TPP. Since the deduction is for cost basis the amount of the deduction is limited to 50% of the donor's adjusted gross income in the year of the gift, with a five-year carryover for any excess contribution.

Q: How is the value of the TPP substantiated for tax purposes?

A: If the full fair market value is over \$5,000 an appraisal by an independent appraiser will be required to substantiate the value of the TPP.

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

