

Charitable Planning with Business Interests In an Uncertain Economy

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Four areas of stewardship:

Mission

People

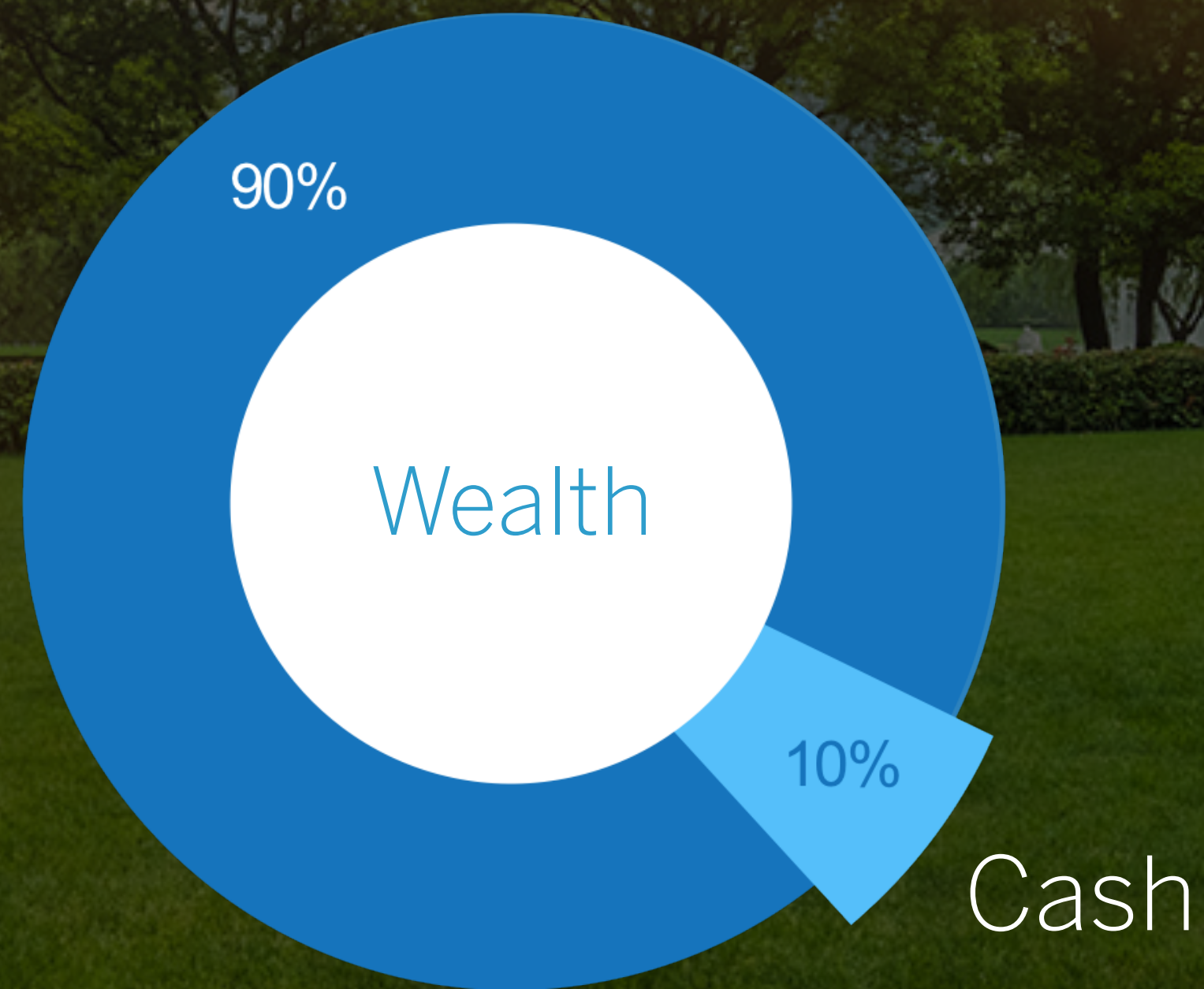
Ownership

Generosity

Strategic giving

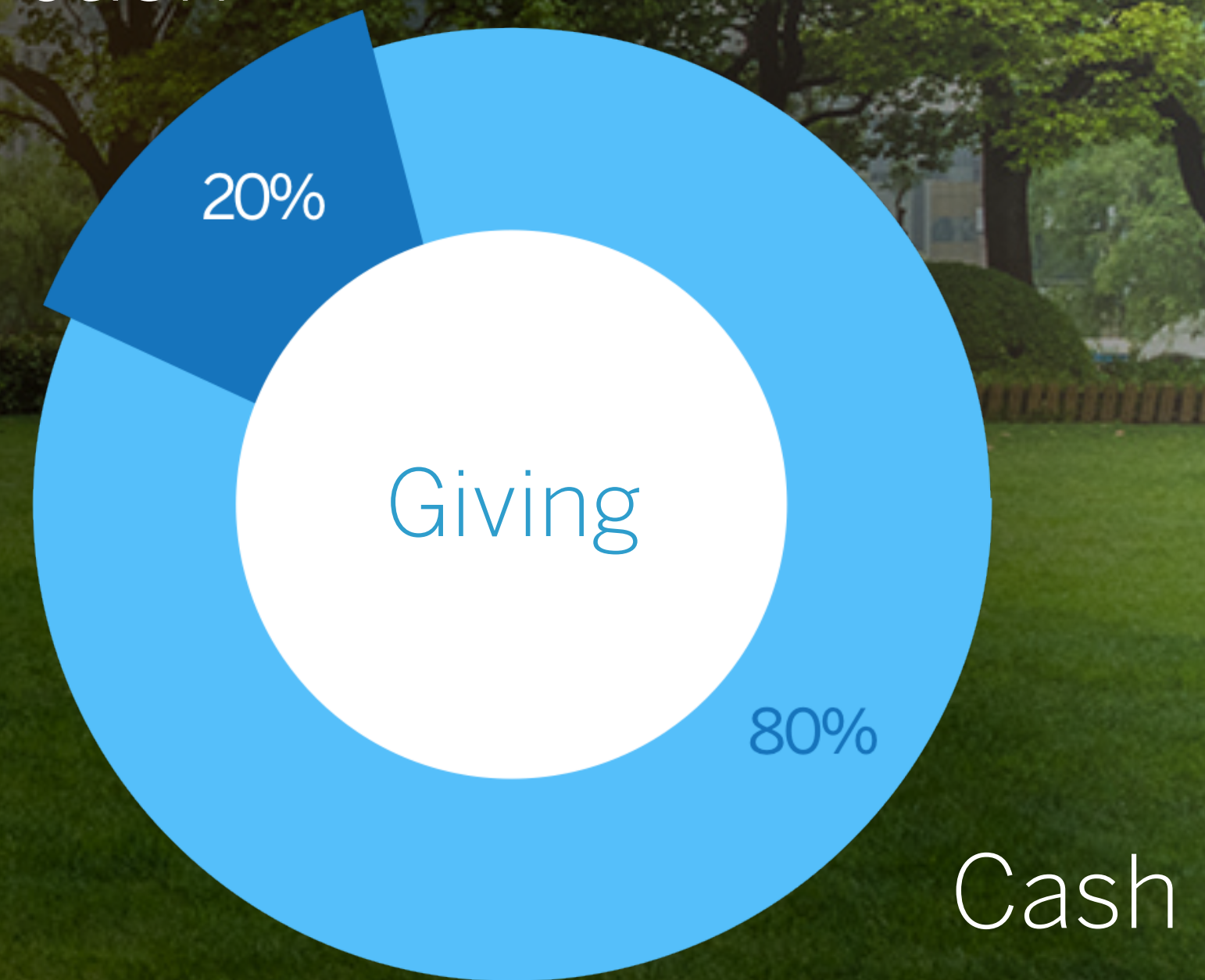
Non-Cash Giving

Non-cash



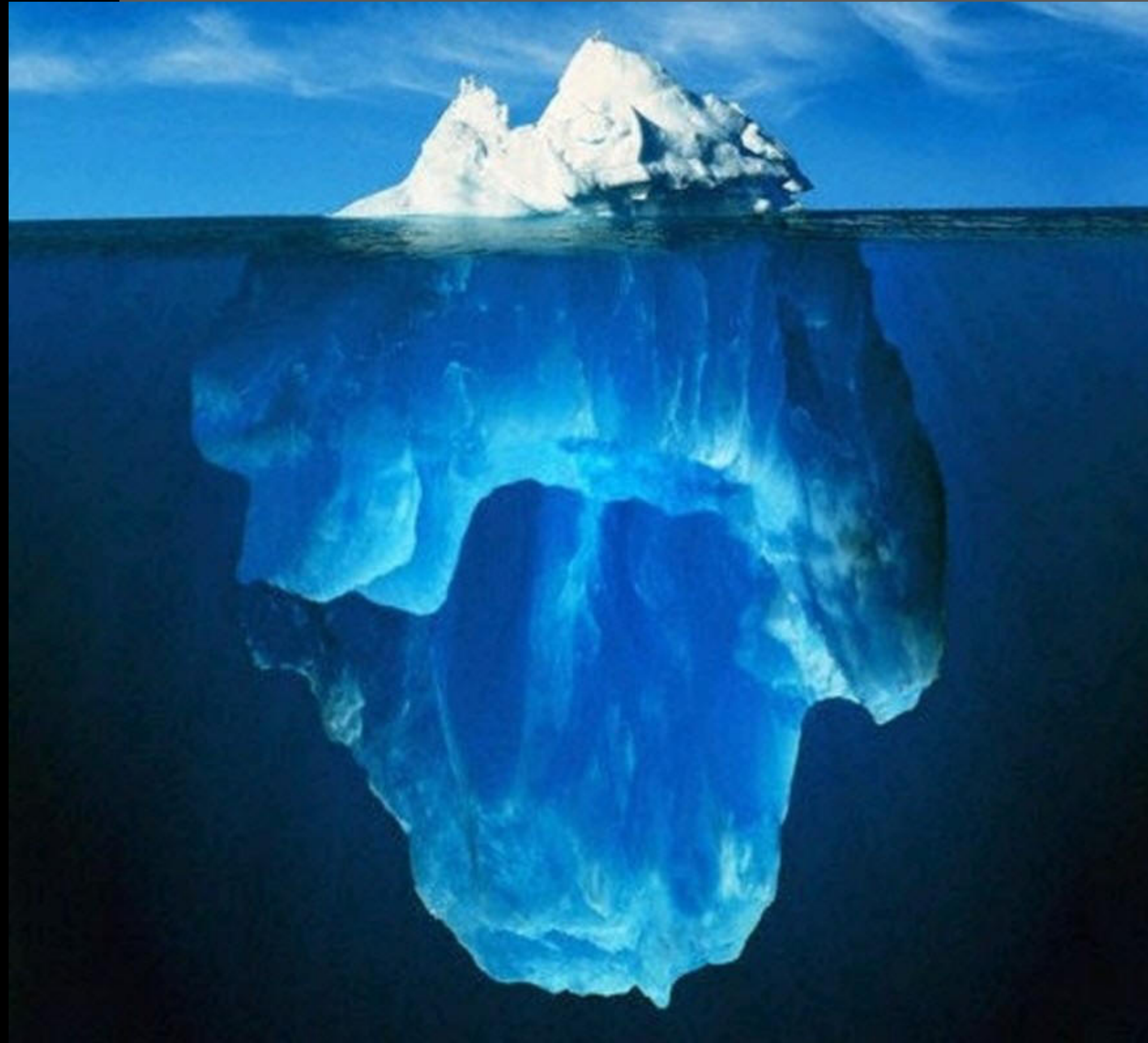
VS

Non-cash

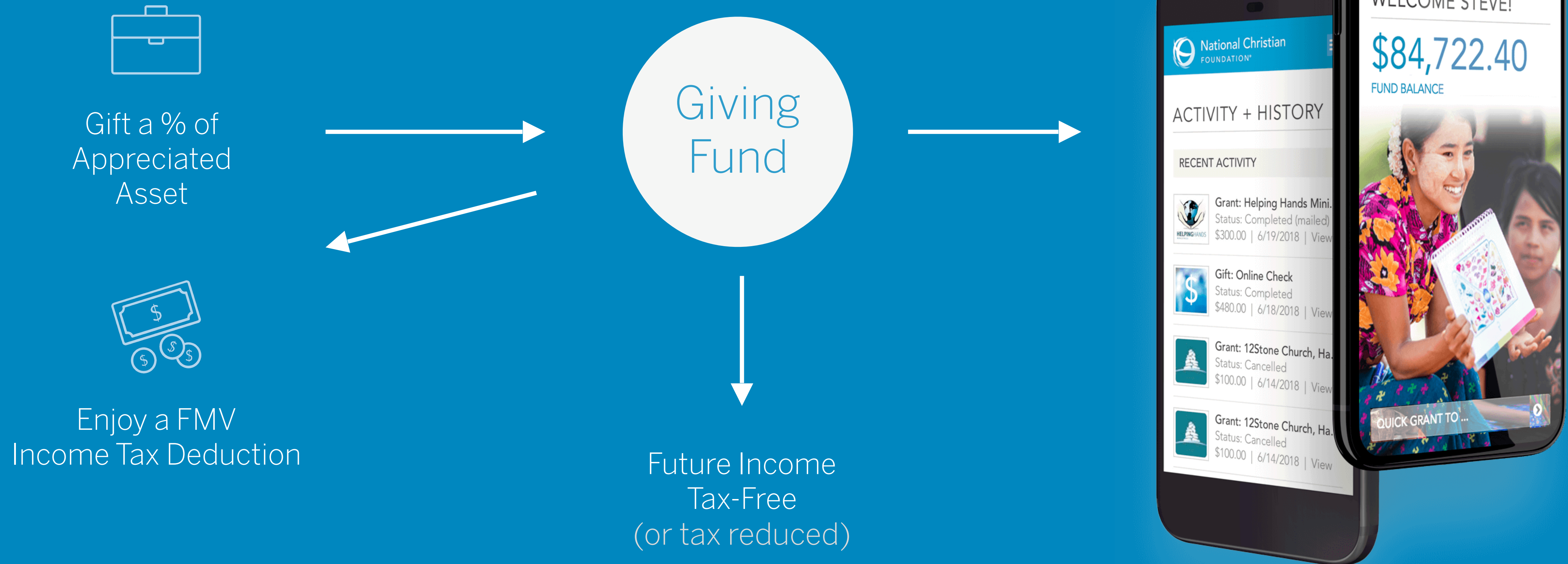


The Asset-Based Giving Opportunity

Publicly-traded securities
Closely-held businesses
Real estate investments
Intellectual property
Oil, gas & mineral rights
Promissory notes
& more ...



How it Works



Charitable Deduction Basics

Reduce taxes and increase
charitable giving by gifting a
non-cash asset interest

1

Charitable
Income Tax
Deduction for
the Giver

2

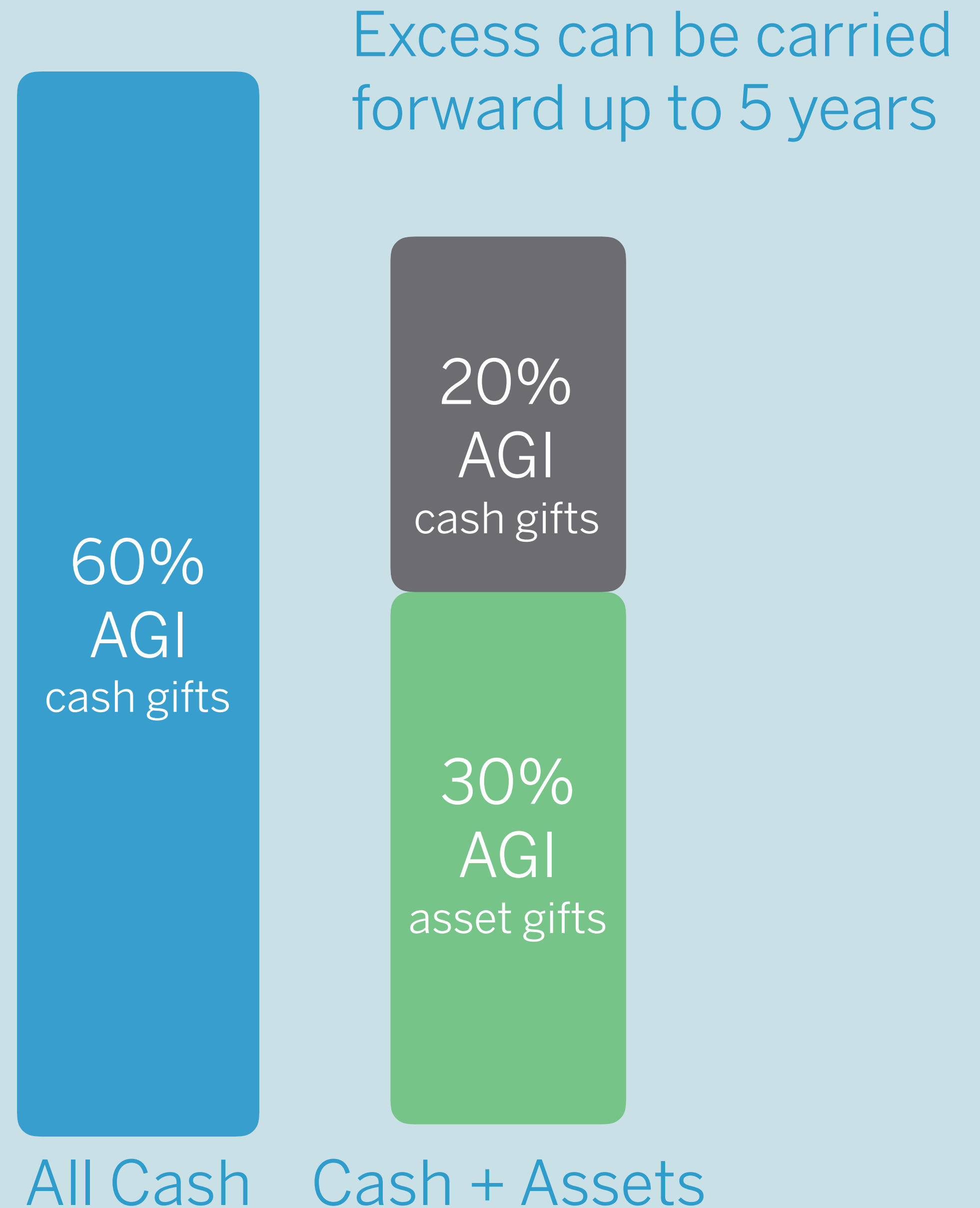
Charity's Tax on
Future Income
Reduced

3

Gift & Estate
Tax Charitable
Deduction for
Giver

Ordinary Charitable Deduction Limits

Gifts to churches, charities & DAFs





What to listen for . . .

I'm selling my business

I'm working on business succession

Case Study 1

C-Corporation

Preparing for Acquisition

C-Corporation

- SALE – \$16M stock sale
- FMV - \$14.4M after valuation discount
- BASIS – \$0M
- GIFT – 10%

GIVER TAX RATES

Ordinary Income (fed/st) - 37%

Capital Gain (fed/st) - 20%

NIIT - 3.8%

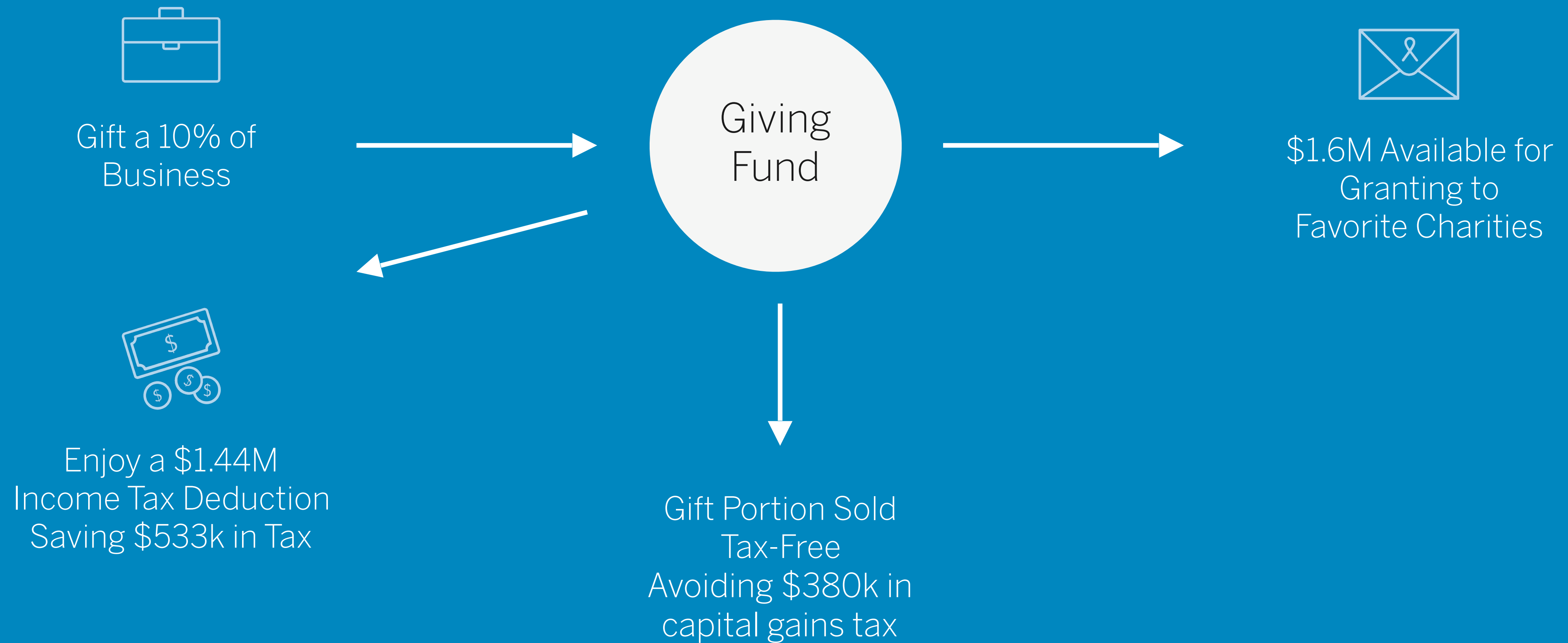


ANDREW M.

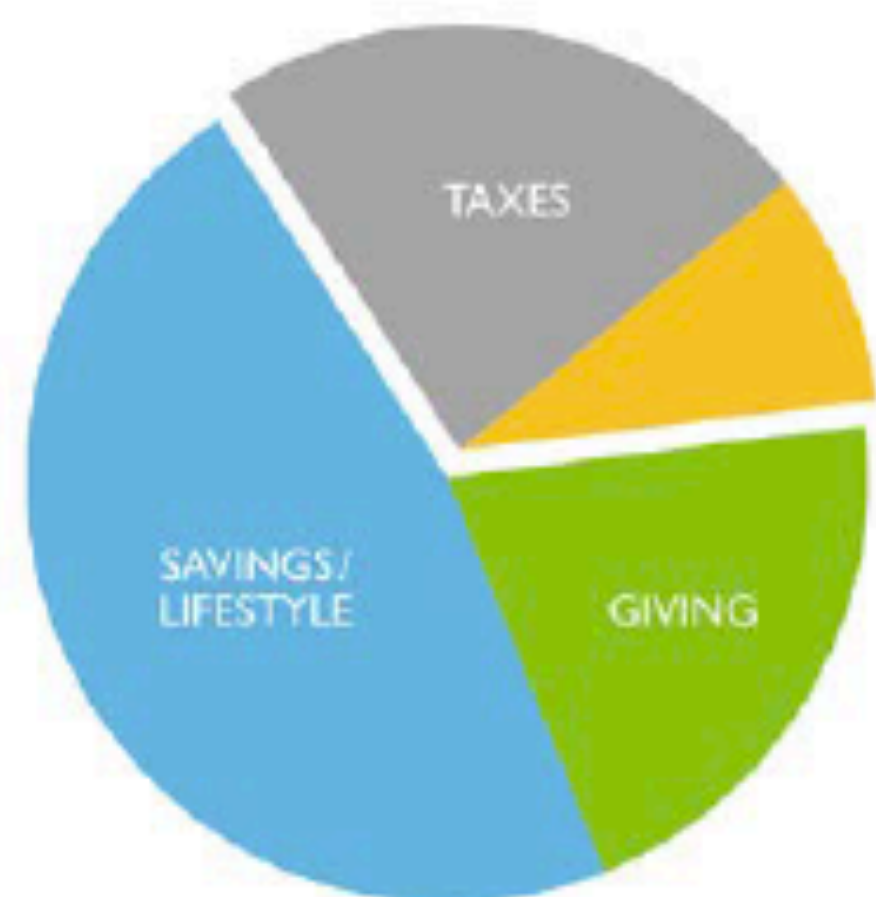
CEO, TMID, Inc.

“Eight years ago, I was launched my start-up company, and we currently have multiple parties interested in acquiring us. I intend to tithe on any future sale and want to be smart about how to do it.”

How it Works



Potential Gift Economics



\$463,000
less in taxes



\$381,000
more for charity

SUMMARY OF POTENTIAL GIFT PLAN OPTIONS

	FAMILY	TAXES	CHARITY
Baseline: No charitable gift	\$12,192,000	\$3,808,000	\$0
Option #1: Sell, then give 10% cash to charity	\$11,424,000	\$3,357,000	\$1,219,000
Option #2: Give 10% shares, then sell	\$11,506,000	\$2,894,000	\$1,600,000
Difference between Option #1 and Option #2	\$82,000	\$463,000	\$381,000

Gift Considerations



Assignment of Income



Appraisal



Reps & Warranties



Post Sale Liabilities



What to listen for . . .

I'm selling my business

I'm working on business succession

Case Study 2

S-Corporation



Two Gift Scenarios:

1 Charitable gift before business succession

2 Charitable gift establishing long term charitable shareholder

S-Corporation

- SALE – \$9M stock sale
- FMV - \$8.1M after valuation discount
- BASIS – \$0M
- GIFT – 20%



CLIVE L.

Founder/President, Aslan, Inc.

“After 25 years of running my company, it is time to implement the business succession plan.”

GIVER TAX RATES

Ordinary Income (fed/st) - 37%

Capital Gain (fed/st) - 20%

NIIT - 0%

Typical Succession Stock Transfers



Founder



Founder pays tax on
capital gain



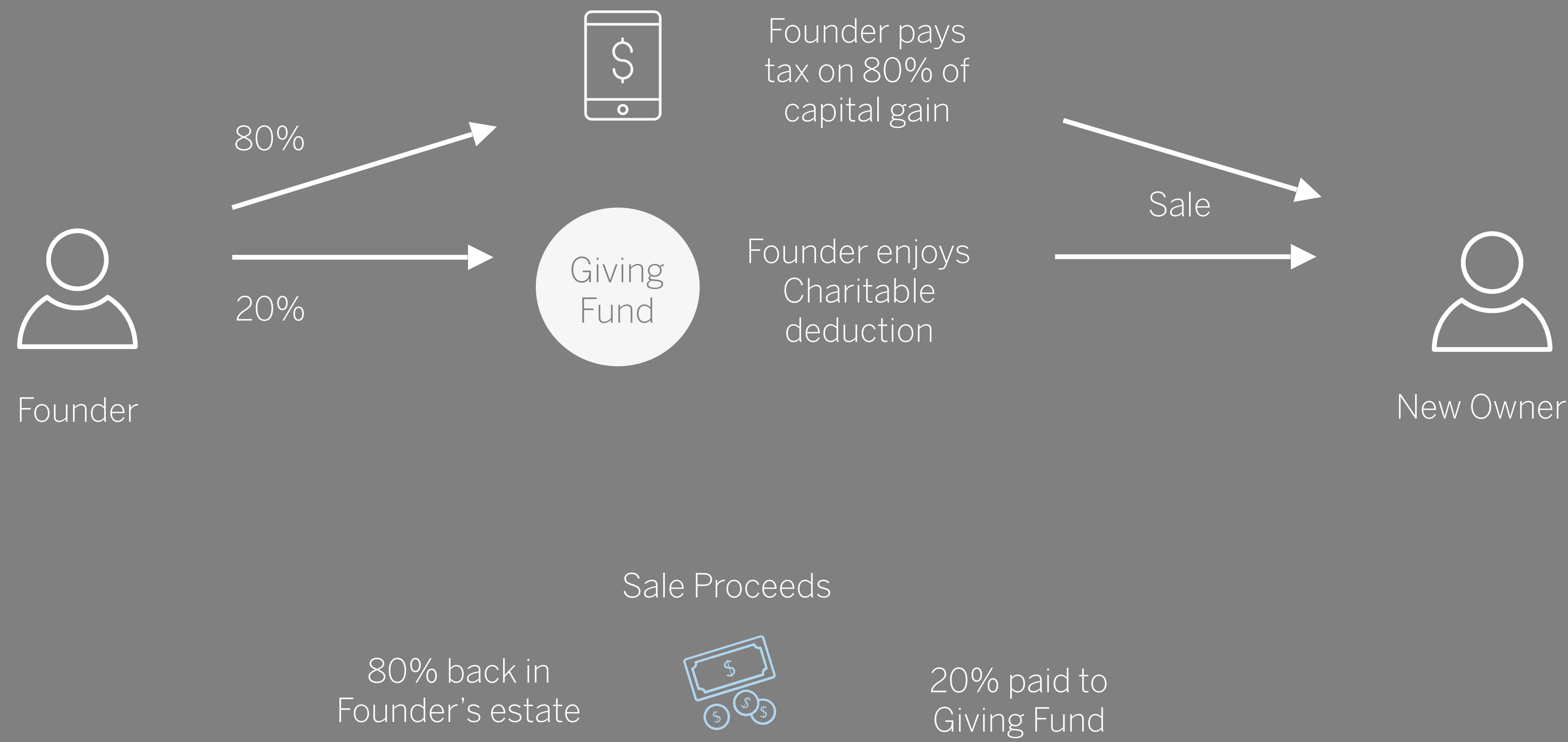
New Owner



Sale proceeds back in
Founder's estate



Philanthropic Succession Stock Sales



How it Works



Potential Gift Economics



\$282,000
less in taxes



\$216,000
more for charity

SUMMARY OF POTENTIAL GIFT PLAN OPTIONS

	FAMILY	TAXES	CHARITY
Baseline: No charitable gift	\$7,200,000	\$1,800,000	\$0
Option #1: Sell, then give 20% cash to charity	\$6,293,000	\$1,267,000	\$1,440,000
Option #2: Give 20% shares, then sell	\$6,359,000	\$985,000	\$1,656,000
Difference between Option #1 and Option #2	\$66,000	\$282,000	\$216,000

Gift Considerations cont...



Operational Control



Unrelated Business
Taxable Income



Cost & Granting



Excess Business Holdings

The Barnhart Story



The Barnhart Succession Plan:

- 1 Recap stock into 1% voting and 99% non-voting
- 2 Give 99% non-voting stock to NCF Giving Fund
- 3 Create a succession voting control trust for management
- 4 Give 1% voting stock to control trust
- 5 Assign voting trust beneficiary interest to a public charity

Four areas of stewardship:

Mission

People

Ownership

Generosity

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