

Creative Charitable Planning with Noncash Assets

A Case Study Approach

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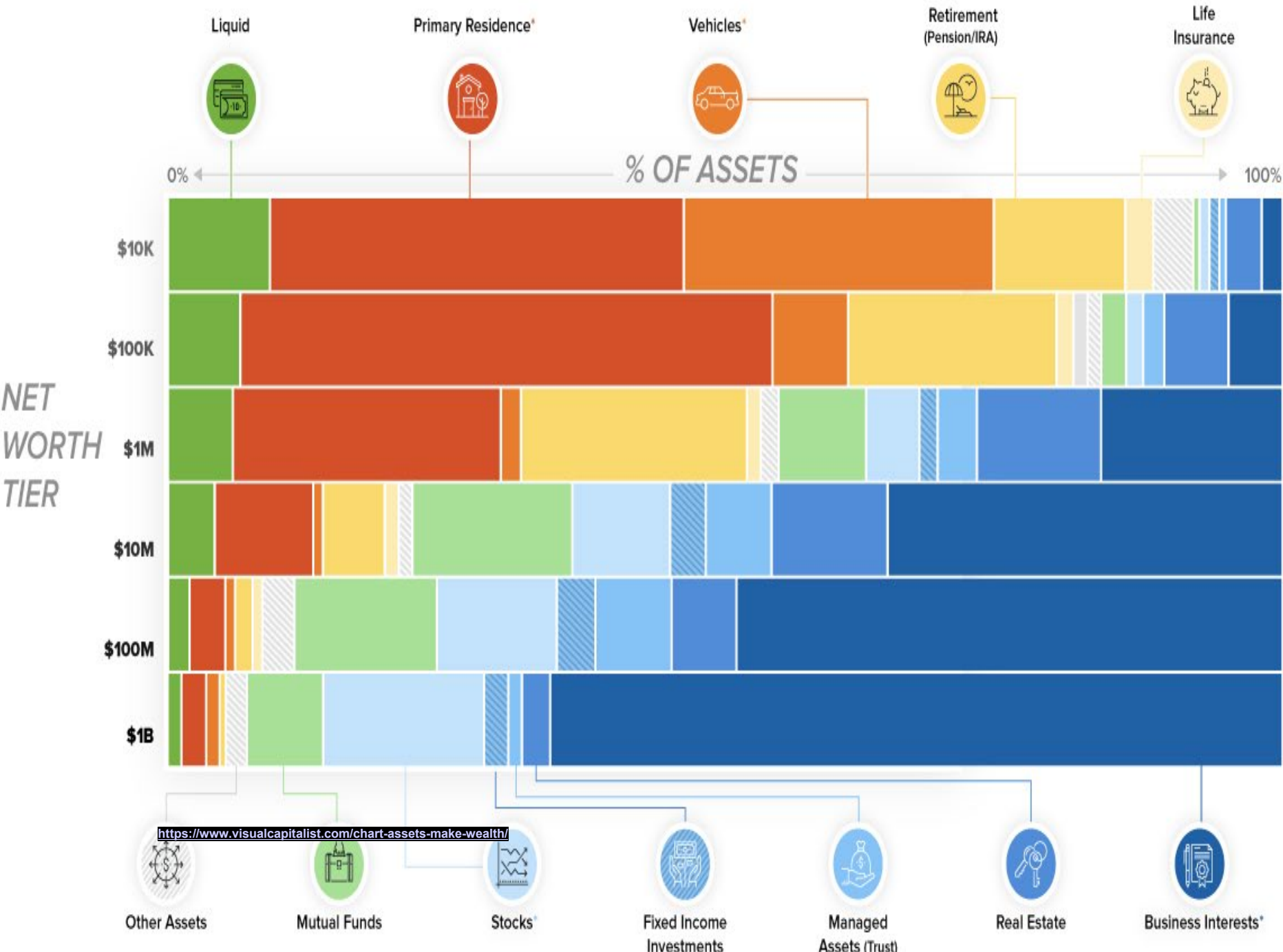
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Agenda

- **Non-Cash Market Overview**
- **Non-Cash Asset Types**
- **A 5-Minute Non-Cash Tax Seminar**
- **Reasons Non-Cash Assets are Declined**
- **Two Case Studies**

Non-Cash Asset Market Overview

- **More than half of affluent investors' assets are held in non-cash assets; cash only represents 6-8% (3% for Census households)**
- **Aggregate stock market value is approximately \$33 trillion; non-cash market estimates are \$55-65 trillion**
- **Of the \$390 billion in donations last year, non-cash assets are estimated to be 6-8%**



Dechomai Noncash Assets in 2021

<u>Type</u>	<u>Sub-Type</u>	<u>Number</u>	<u>Amount</u>
Total Donations		261	\$1,177,317,142
Real Estate		61	\$42,663,620
Business Interests		151	\$1,081,864,728
	<i>C-Corp</i>	49	\$506,194,583
	<i>S-Corp</i>	14	\$55,780,695
	<i>LLC/LTD/LP/GP</i>	89	\$519,889,450
Cryptocurrency		37	\$28,142,376
Cash		7	\$3,430,548
Other (Foreign Stock, Life Insurance, Public Benefit Corporation)		4	\$21,215,870

Dechomai Noncash Assets in 2022

<u>Type</u>	<u>Sub-Type</u>	<u>Number</u>	<u>Amount</u>
Total Donations		154	\$ 560,572,932
Real Estate		48	\$ 45,424,123
Business Interests		91	\$ 496,831,540
	<i>C-Corp</i>	29	\$ 111,956,123
	<i>S-Corp</i>	9	\$ 26,835,490
	<i>LLC/LTD/LP/</i>	49	
	<i>Other</i>	4	\$ 7,167,280
Cryptocurrency		6	\$ 7,013,643
Cash		3	\$ 3,655,000
Other (Foreign Stock, Life Insurance, Public Benefit Corporation)		6	\$ 7,648,626

Non-Cash Asset Types (Minority or Majority Interest)

- **Privately-Held Interests**
 - * **C-Corp, S-Corp, Limited Partnerships or LLCs**
- **Real Estate**
 - * **Residential vs. Commercial, Encumbered vs. Unencumbered, International vs. Domestic**
- **Restricted Stock**
- **Tangible Personal Property – Art/Collectibles**
- **Weird Stuff**
 - * **Quarterhorse, New York Mercantile Exchange Seat, Gold Bullion, Euro-Denominated Bond, Beach House in Mexican Land Trust, Paris Condo, UPREIT Partnership Units, Patents, Timber Deeds, Clay Mineral Rights, Book Royalties, Oil & Gas Interests, Hedge Fund Carried Interest, Crypto, NFL Team, Pile of Dirt, Historic Papers, and finally, Dead Animals**

A 5-Minute Non-Cash Seminar

- Cash **BAD** – Everything else **GOOD!**
- Capital gain property receives a fair market value deduction **AND** an elimination of capital gains tax if donated to a public charity
- If donated to a private foundation, donations of non-cash assets during life only receive an adjusted cost basis deduction
- Public charities do not have a 5% payout requirement – private foundations do
- Donor advised funds are especially attractive for multiple grants—only one acknowledgment letter needed

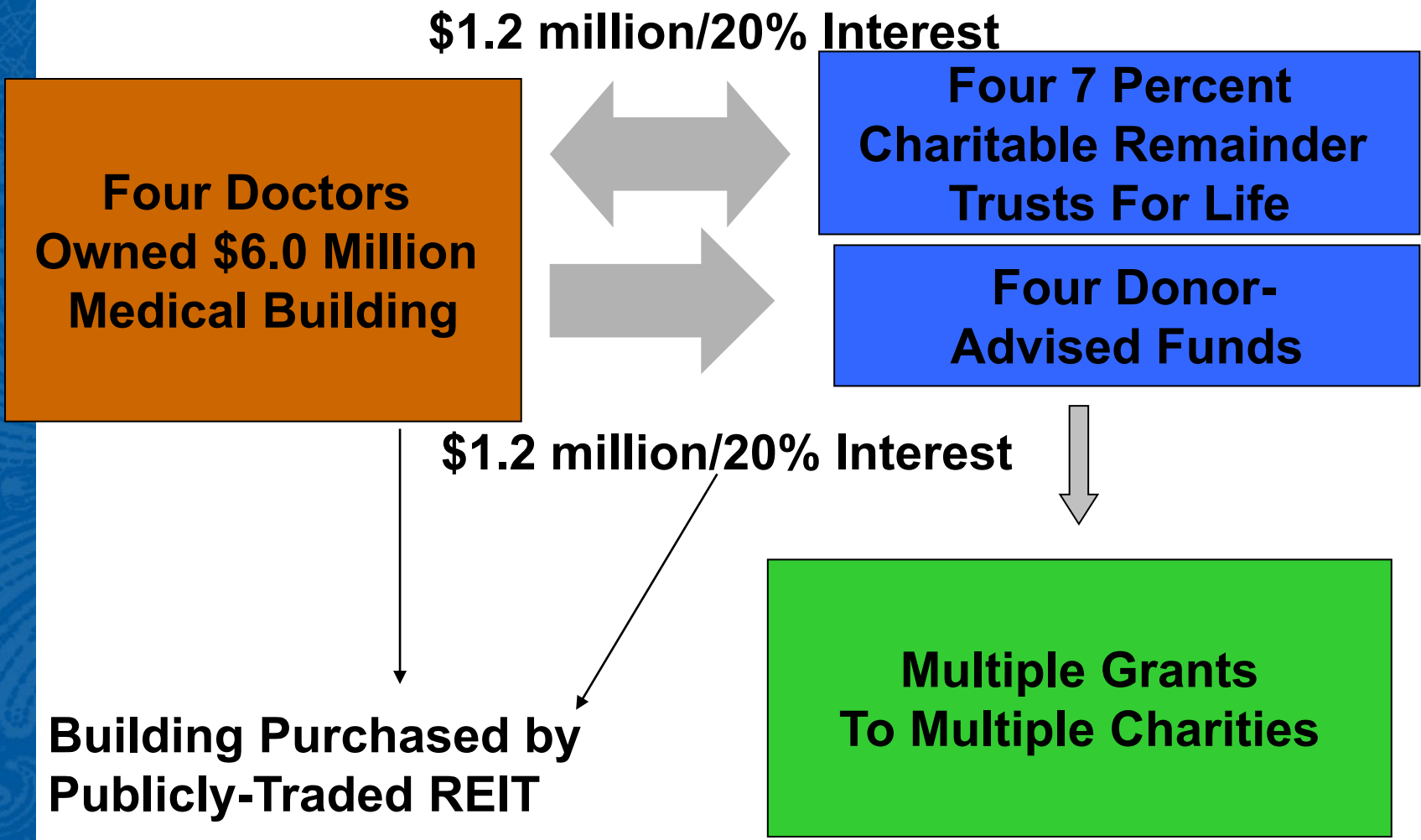
Appraisal Considerations

- **Qualified appraiser completes qualified appraisal**
 - * May occur 60 days prior to gift at the earliest, and the latest being the time the donor files her tax return
 - * Donor completes Form 8283
 - * Charity completes Form 8282
- **Considerations:**
 - * Appraiser may be penalized for inflating value
 - * Value may incorporate discounts for control/marketability on minority interests
 - * Donor selects, engages and pays appraiser

80% Of All Non-Cash Gifts Rejected

- **Tax and Legal Complexity**
- **Environmental Issues**
- **Management Issues**
- **Charity's Internal Process**
- **Perceived/Real Risk/Reward Ratio**

Case Study #1: Commercial Real Estate Contribution



For illustrative purposes only.

Case Study #2: S-Corp UBIT Solution/ Dechomai Asset Trust Donation Flow

**Step 1–
DONOR CONTRIBUTES S-Corp**

**Dechomai Asset Trust:
Nevada Public Charity**

Deduction: \$1M of S-corp stock
with \$200K adjusted basis

**Step 3 – GRANT TO
CHARITY**

**Step 2 - ASSET IS
SOLD**

UBIT at trust rates (\$800K @
20%) = \$160K in tax but receives
60% AGI deduction to \$64K