

# Gifts of Property



**COMMUNITY**  
**FOUNDATION OF**  
**MORGAN COUNTY**

The mission of CFMC is to connect donors and their charitable giving with our evolving community needs in order to enhance quality of life for current and future generations through impact grant making.

## Opportunities and Benefits

Throughout history, individuals have made all manner of gifts to charity—from tobacco and rum to equities, life insurance, and real estate. Whatever the gift, there are numerous ways for people to give and countless benefits associated with those gifts.

### Gifts of Marketable Securities

Stocks, bonds, and other readily marketable securities are easy to donate and there are definite tax advantages.

#### Receive an income tax charitable deduction

The charitable deduction for gifts of securities held more than one year is based on the full fair market value of the stocks, bonds, or mutual fund shares. If you give stock worth \$10,000, you can claim this full amount as an income tax deduction on an itemized tax return, even though you may have purchased the security for substantially less. However, note that, beginning in 2026, only donation amounts that surpass 0.5% of your adjusted gross income will qualify for a charitable deduction.

The deduction allowable for a gift of long-term, appreciated securities cannot exceed 30% of adjusted gross income. Any excess can be carried over and deducted in up to five subsequent years. For securities held for one year or less, the charitable deduction is limited to the cost basis.

#### Bypass the capital gains tax

No matter how much assets have appreciated, a charitable gift will not be subject to capital gains tax.

**EXAMPLE:** Jonah owned 100 shares of stock that he bought ten years ago for \$2,500. A week ago, he instructed his broker to transfer the stock to us, and the gift was completed that day. On the day of the gift, that particular stock sold for a high of 85¾ and a low of 84¼.

Jonah qualifies for a charitable deduction of the mean between the high and low sales price for the day of his gift—in this case, \$8,500. Also, he owes no capital gains tax on the \$6,000 appreciation.

The after-tax cost of Jonah's generous gift will depend on his federal income tax bracket (and remember, a 3.8% surtax can apply to capital gains in addition to the normal 15% or 20% rate).\*

\*All examples are for illustrative purposes only.

	35% tax bracket
Value of gift	\$8,500
Charitable deduction saves	\$2,975
Capital gains tax bypassed (15%)	+900
Total tax savings	\$3,875

## Real Estate Gifts

A gift of real estate to charity provides similar benefits. If you donate long-term appreciated property, you can bypass capital gains taxes and still deduct the full fair market value of the property (assuming it has no mortgage debt against it and you are not in the business of buying and selling real estate).

### **A gift of a fractional interest in a vacation home**

A charitable deduction is also available for a gift of a fractional interest in real estate. This type of gift can be especially rewarding if you own a vacation home that you only use for part of the year.

**EXAMPLE:** Mary and Paul own a lake home that they use for a few months in the summer. They can give us a 50% interest in the property, gain a tax deduction, and still enjoy a right to use and occupy the property for six months of the year.

### **A gift of a remainder interest in a residence or farm**

An immediate income tax charitable deduction is available for an outright gift of a remainder interest in a home or farm. You give us legal title to the property but retain an absolute right to occupy the home or farm for life (or you may give family members a right to lifetime occupancy). When everyone with a retained lifetime right to live in and use the property has passed, we hold all legal title to the property (subject to any legal restrictions that run with the land).

If you itemize, you may deduct the present value of our right to receive the property at some later date. The age of the “life tenant(s)” is the primary factor in determining the present value of our deferred interest and the resulting allowable charitable deduction. Contact us for an illustration.

## Life Insurance Gifts

Some people own life insurance policies that are no longer needed to protect a family’s financial security. You can give us a paid-up life insurance policy and deduct the fair market value (equal to the cost to replace the policy with a single-premium policy). If premiums are still due, the fair market value is the interpolated terminal reserve (slightly less than the cash surrender value) plus unearned premiums. In either case, you can deduct either the replacement value or the basis in the policy (whichever is less).

## Tangible Personal Property Gifts

Antiques, artwork, jewelry, and rare book collections are just a few examples of tangible personal property you can use to make charitable

gifts. The full fair market value of these gifts is deductible provided we use the property for our charitable exempt purpose. Otherwise, the deduction is limited to the property's adjusted cash basis.

The maximum capital gains tax rate for most long-term appreciated assets is 20%, but the rate jumps to 28% for tangible personal property (collectibles). It is possible that a well-planned gift of a collectible may generate a larger capital gains tax savings than other long-term appreciated property—assuming it is used for our charitable exempt purposes. We can help you and your advisors plan your gift to obtain the maximum tax benefits.

## Life Income Gifts

You can also use long-term appreciated property to fund a life income gift—an arrangement that pays income to you and/or your designated beneficiaries for life, then transfers the property to us after all income benefits have been exhausted. A life income gift provides a regular income stream during retirement, a potential reduction in taxes, and an opportunity to make a lasting impact on our future.

A life income gift most often takes the form of a charitable remainder trust or a charitable gift annuity. The best choice depends on the size of the gift, your age, and your desire for a fixed or variable income stream.

## You Can Depend on Us

Let us know if you want to explore the many opportunities and benefits available when you make a gift of property. We are happy to meet with you and your advisors.

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