



How Do Gifts of Closely-Held Stock Work?

Closely-held stock can be an excellent charitable gift and, for the maximum tax benefit, is contributed before any liquidation event including retirement, selling a business, taking a company public or merging with another business.

Closely-held stock is widely considered one of the most complex types of assets to give. The North Carolina Community Foundation team has experience with accepting closely-held stock gifts, and we can lead you through a process that makes the transfer easier and more predictable.

Donor Considerations

- All transfers of assets are irrevocable
- The closely-held stock must have a fair market value of at least \$100,000
- All gifts of closely-held stock must be approved by the NCCF Executive Committee, which reviews factors such as value of gift, ease of administration, marketability, debt, risks to NCCF, UBIT consequences
- Subsequent sales of assets must not be prearranged
- NCCF's policy is to liquidate the asset as quickly as reasonable
- Donors are responsible for NCCF's costs associated with completing the gift transaction, including appraisals and legal and other ancillary fees
- NCCF will not accept a gift into a fund that will result in excess business holdings
- Donor responsible for obtaining a qualified appraisal complying with IRS regulations to establish the value of the gift for federal income tax purposes
- Provide information and documents to assist with NCCF due diligence, such as the businesses' bylaws, operating agreement, shareholder agreements, buy-sell agreement, prior tax returns, financial statements of the business, etc. Contact NCCF for our checklist of information and documented needed.

Benefits

- ✓ Avoid costly capital gains taxes while realizing the maximum tax deductibility of your donation
- ✓ Create liquidity for philanthropic giving with illiquid assets
- ✓ Reduce or eliminate estate taxes
- ✓ Better tax deductions through an NCCF fund (30% AGI) as compared to a private foundation (20% AGI)
- ✓ Support multiple charities through your gift

Continued from Page 1

- If required by NCCF, donor to execute a written agreement that provides for payment of administrative expenses and unrelated business income taxes generated by the stock to the extent there is insufficient cash in the fund to which the stock has been donated to cover such expenses and taxes. The agreement should also require the donor to indemnify NCCF against all liabilities incurred by donor on account of the stock up to the date of the gift.

CLOSELY-HELD STOCK CONTRIBUTIONS *in Action*

A donor was preparing to sell his family business and wanted to start a Donor Advised to be more strategic in his giving and alleviate his capital gains exposure.

The donor gifted shares of his ownership interest to NCCF. The benefits included: the donor converted this complex, illiquid asset to cash; he could deduct the fair market value of his stock; he didn't have to pay capital gains tax on any built-in gains.

Once the company was sold, the donor began giving through his Donor Advised Fund.

Let's get started.

Contact the Development Officer in your region today, and we'll answer your questions and help you with next steps.

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