HIGHTOWER
KLEIN WEALTH MANAGEMENT

PHILANTHROPIC DEFINITIONS

	Deduction Amount Rules		Deduction Limits	
Giving Scenarios/ Vehicles	**Public Charity**	**Private Foundation**	**Public Charity**	**Private Foundation**
Cash Donations Cash	FMV	FMV	50% of AGI	30% of AGI
Short Term Taxable Interests	Basis	Basis	30% of AGI	20% of AGI
Long Term Capital Gain Property Gifts of appreciated long term capital gain property - other than qualified (public) appreciated stock (gifts greater than $5,000 require an appraisal). Donor can elect a “step down election” whereby the treatment for the gift becomes basis (which stands for all gifts in that year) but the AGI limit is increased to 50%.	Basis or FMV, whichever is less	Basis or FMV, whichever is less	30% of AGI	20% of AGI
Publicly Traded (Qualified) Stock Gifts of appreciated publicly traded stock.	FMV	FMV	30% of AGI	30% of AGI
Sub Chapter S Interests Shares of S-corp. (pass through) shares **The charity will have a UBTI liability both while it holds the Sub-S stock and again when it is sold. In a CRT, the S-election is revoked and UBTI is generated; best not to be used.*	FMV	FMV	30% of AGI	30% of AGI
Closely Held (non-public) stock Shares of non-public companies **Gifts of closely held stock to Private Foundations are ill advised, for they are treated as basis and provide a potential host of issues with respect to foundation rules for excessive business holdings.*	FMV	Basis	30% of AGI	20% of AGI

Giving Scenarios/ Vehicles	Deduction Amount Rules		Deduction Limits	
	Public Charity	Private Foundation	Public Charity	Private Foundation
Land Real Estate and Property (be especially careful and skeptical of debt encumbered assets - the deduction is reduced by the loan amount and is treated as a bargain sale with the loan treated as income to the donor).	Basis	Basis	30% of AGI	20% of AGI
Tangible Property If used for the tax-exempt purpose of the charity then treatment is increased to FMV.	Basis	Basis	Basis	Basis
Gifts to Foreign Charities Need (to get a tax deduction) to either seek an "American Friends of" set-up or prove a substantially similar tax-exempt entity or exhibit expenditure responsibility.	FMV	N/A	50% of AGI	N/A
C-Corp. Can donate up to 10% of their net income with a 5-year carry forward.	FMV	FMV	N/A	N/A
Life Insurance Policies gifted to a public charity or policies whereby the charity is named as a beneficiary. There are also instances where the donor pays for the policy that he/she owns - better to gift the premium to the charity rather than pay the premium for a policy that will pass to the charity. (Note: a qualified appraisal is required when the gifted policy is greater than $5000.)	The lower of basis (premiums paid) or cash value		50% of AGI (if gift is paid directly to charity)	30%
Donor Advised Funds (DAF) A 50% charity for tax purposes whereby donations to a DAF are irrevocable and the donor can only provide "advice" to the sponsoring organization on where to make ultimate gift to a 501(c)(3) tax-exempt organization.				
Private Foundation Provides a smaller (30%) tax deduction on donations, but provides greater flexibility with respect to management of grant-making and the ultimate running of the foundation. Private Foundations are anything but private — fully disclosed on Form 990. Can make Program Related Investments (PRIs) in non-501(c)(3) entities as long as certain requirements (expenditure responsibility) are met.				

Operating Foundation A private foundation that spends most of its income directly on its tax-exempt activities. Must pass three tests — the assets test, the endowment test and the support test. Utilized by donors who seek additional control of a non-profit organization rather than simply making grants.
Supporting Organization A charity that carries out their tax-exempt mission by supporting other non-profit organizations.
Partial Interest Gifting
Charitable Gift Annuity A contract between a donor and a charity — the donor gifts to the charity cash or property in exchange for a lifetime (not a term of years; but can be over more than one life) stream of income from the charity. The donor gets a partial tax deduction and is responsible for the taxes from the CGA in a pro-rata format (like annuities).
Pooled-Income Funds A charitable fund, typically managed by the nonprofit charity organization, that takes in cash or securities from donors, pools them, and invests these assets to provide income to the donor (during life) and the charity (upon death). These funds have lost viability to the more popular CGAs and CRTs given their lower returns (they only pay out the net earned income) and complex tax accounting.
Charitable Retainer Trust (CRT) A Trust whereby the donor avoids capital gains on appreciated assets, receives a tax deduction for the PV of future interests gifted. The Trust's term can be over lives or for a period of years no greater than 20 years. The CRT must pay out 5% of its corpus annually and pass a 10% "probability of remainder interests" test. Income is taxed to the beneficiary under a four-tier regime ("worst first").
CRT - Annuity (CRAT) Income is set at initialization; capital cannot be added to the trust.
CRT - Unitrust (CRUT) Income is based on annual re-valuations of assets; capital cannot be added to the trust.
Net Income with Make-Up CRUT (NIMCRUT) This is a type of CRUT whereby the non-charitable beneficiary of the NIMCRUT receives the lesser of the specified CRUT amount or the trust's actually generated income with the amount being made up in later periods.
Flip-CRUT A CRUT where the non-charitable recipient receives the lesser of income or the fixed percentage but once a triggering event occurs (i.e., sale of business) the amount changes (flips) to the fixed percentage.

CRT "Bailout" The utilization of a CRT for closely held business' shares to transfer ownership to children without transfer taxes. The majority shareholder gifts shares of his closely held business to a CRT, the company's cash flow is used to buy the shares from the CRT (providing the trust with cash is to be used for donations) and retire the shares, thereby increasing the percentage ownership of the company for the minority shareholders tax-efficiently.
Charitable Lead Trust (CLT) The trust (in most common form) pays an income to a charity for the term of the trust; then the balance passes to heirs (escaping, in many cases, transfer taxes).
CLT - Annuity (CLAT) A CLT where the cash flows to the charity is fixed for the term from the initial valuation.
CLT - Unitrust (CLUT) A CLT where the cash flows are revalued each year depending on asset values at that period.
CLT - Grantor The donor (grantor) receives a tax deduction (of the PV of the cash flows) but also pays taxes on the "phantom" taxes generated by the Trust.
CLT - Non-Grantor The donor (grantor) does not receive a tax deduction, the Trust pays the taxes generated; an estate planning tool used to pass assets onto heirs while escaping grit (transfer) taxes.
CLT - Revisionary Trust The donor receives the assets at the end of the term; can only be a Grantor CLT.
Shark Fin Trust A CLT with a balloon payment — the payments to a charity is not the same each period; they are instead smaller payments for all but the final year where it balloons to a much larger amount.

FMV = Fair Market Value

AGI = Adjusted Gross Income

Source: The American College of Financial Services

Please note, deduction amount rules and deduction limits are current as of November 2017, and subject to change.

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