Closely-Held Stock

California COMMUNITY Foundation

at a glance

Closely-Held Stock

- Avoid capital gains tax on illiquid assets that have greatly appreciated in value
- Simplify your estate and reduce or eliminate estate taxes
- Work with CCF every step of the way, making the transfer easier

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 California Community Foundation has accepted hundreds of millions of dollars in closely-held stock gifts over many years, and we can lead you through a process that makes the transfer easier and more predictable.

WHAT ARE THE BENEFITS OF CONTRIBUTING CLOSELY-HELD STOCK TO CCF?

- Avoid costly capital gains taxes while realizing the maximum tax deductibility of your donation
- Most likely increase the amount of your charitable deduction compared with a private foundation
- Reduce or eliminate estate taxes
- Create liquidity for philanthropic giving with illiquid assets
- Support multiple charities through your gift rather than just one
- Better tax deductions available through a fund at CCF, at fair market value up to 30 percent of the adjusted gross income (AGI), compared with a private foundation at cost basis up to 20 percent of AGI.

CONSIDERATIONS

- All transfers of assets are irrevocable
- Subsequent sales of assets must not be prearranged
- In most cases, our policy is to liquidate the asset as quickly as possible
- Donors are responsible for CCF's costs associated with completing the gift transaction, including appraisals and legal and other ancillary fees
- CCF does not pay for legal assistance, appraisals or other services on behalf of the donor
- CCF may refuse any offered gift of closely-held stock that is judged not to be in its best interest
- CCF will not accept property with a fair market value of less than $50,000
- CCF will accept nothing less than fair market value, determined by a recent qualified appraisal, for the shares of the corporation
- CCF will not enter into any sale or agreement that requires CCF to make any guarantees, indemnities, warranties, representations or provide certification as to the underlying business or the value of the shares of the corporation
- In most cases, CCF will not accept a gift into a fund that will result in excess business holdings

DONOR RESPONSIBILITY

- Obtain a qualified appraisal complying with IRS regulations to establish the value of the gift for federal income tax purposes
- Other due diligence is required. Contact CCF for a copy of our due diligence procedures.

closely-held stock contributions in **action**

A donor with privately-held company stock wanted to start a Donor Advised Fund so that he could be more strategic in his giving in health and homelessness.

The donor gifted shares of his stock to CCF, which then under no obligation, sold the shares to the employee stock ownership plan (ESOP) of the donor's company. 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; and the company received a tax deduction for the contribution of cash to the ESOP to purchase the stock. Once the stock was sold, the donor then began giving from his Donor Advised Fund.

To make a charitable gift of **Closely-Held Stock**, contact Vice President of Development & Donor Relations Teresa Mosqueda at tmosqueda@calfund.org or (213) 452-6298.

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