

A wide banner with a dark, futuristic background of glowing lines and structures. The text "Possible (Re)Defined" is centered in a large, white serif font. The word "Possible" is in a bold, white sans-serif font, "(Re)" is in an orange script font, and "Defined" is in a white serif font with a trademark symbol (TM) to its upper right.

Possible *(Re)*Defined™



Confidence and Clarity



Integrated Solutions



Insight and Foresight



WEBINAR

From Luxury to Legacy:
Transform Assets into
Charitable Contributions

WELCOME

Today's Presenter



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Partner, Tax

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Agenda

- **Part I:** Understanding Charitable Giving
- **Part II:** Donating Luxury Assets
- **Part III:** Optimizing Tax Benefits
- **Part IV:** Creating a Philanthropic Legacy
- **Conclusion:** Q&A

LUXURY TO LEGACY

Charitable Giving & Luxury Asset Donations



The importance, impact and tax benefits of charitable giving



Introduction to luxury asset donations

Support a cause you are passionate about

Help make a real difference

Benefits society's neediest and most vulnerable

Sets an example for others

Giving is in our nature

It makes us feel good

Brings us closer to the society we want to live in

Enjoy an extra bit of tax relief



For those who itemize, gifts to charity offset your income taxed at the highest tax bracket first, which in 2023 and 2024 is as high as 37%.



For the 2023 and 2024 tax years, you can deduct cash contributions to a Public Charity up to 60% of your AGI and the value of appreciated property such as marketable securities held for more than a year of 30% of your AGI.



For the 2023 and 2024 tax years, you can deduct cash contributions to a Private Foundation up to 30% of your AGI and the value of appreciated property such as marketable securities held for more than a year of 20% of your AGI.



For the 2023 and 2024 tax years, you can deduct cash contributions to a Donor-Advised Fund up to 60% of your AGI and the value of appreciated property such as marketable securities held for more than a year of 30% of your AGI.



Utilizing the Qualified Charitable Distribution (QCD) to donate to charity may be a tax-efficient strategy for taxpayers with large IRA's. A QCD is a direct transfer of funds from an IRA to a public charity and is available to those over 70.5 years old. The 2023 limit is \$100,000 and the 2024 limit is \$105,000. You cannot make a QCD to a Donor-advised fund or private foundation.

QUALIFIED CHARITABLE CONTRIBUTION (QCD)			
		<u>Take IRA Distribution</u>	<u>Qualified Charitable Distribution</u>
Other Taxable Income		200,000	200,000
IRA Distribution		<u>100,000</u>	<u>0</u>
Adjusted Gross Income		300,000	200,000
Itemized Deductions/Standard		<u>(110,000)</u>	<u>(29,200)</u>
Taxable Income		<u>190,000</u>	<u>170,800</u>
Itemized Deductions:			
Charitable contribution		100,000	
State and local taxes		<u>10,000</u>	
Itemized Deductions		<u>110,000</u>	

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Types of Luxury Assets

- Examples of assets that can be donated: art, precious metals, jewelry, antiques, real estate, luxury cars



Special Rules for Gifts of Art & Collectibles

- **Related Use Rule** for contributions to public charities and donor-advised funds. If you donate art or collectibles to a charity that does not use the gift for its charitable purpose, then your deduction is limited to the lesser of:
 - Cost Basis (value at which you acquired or inherited property)
 - Fair Market Value
- **AGI Limitation:**
 - 60% of AGI for Cost Basis
 - 30% of AGI for Fair Market Value

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The Pros & Cons of Donating Collectibles

Does your need for a charitable deduction outweigh minimizing capital gains if the art were sold?

For example, if your basis is very high with limited appreciation you may want to sell the art, recognize the minimal taxable gains and then make a cash gift of net proceeds to charity.

Does your need to eliminate capital gains outweigh the need for a charitable deduction, when you have a low-cost basis?

The maximum capital gains tax rate applicable to art and collectibles held over one year is 31.8%, which is much higher than the maximum 23.8% rate for other capital assets, such as long-term publicly held stock or real estate.

Cost of Art	\$ 300,000	
Value of Art	\$ 1,000,000	
Capital Gains Tax	31.8%	
Ordinary Tax Rate	37%	
	<u>SELL ASSET AND</u>	<u>CONTRIBUTE</u>
	<u>CONTRIBUTE \$</u>	<u>ASSET</u>
Capital Gains Tax	\$ 222,600 (\$700,000 x 31.8%)	\$ -
Remaining Cash/Asset To Contribute	\$ 777,400 (\$1,000,000 - 222,600)	\$ 1,000,000 (\$1,000,000 - 0)
Benefit of Tax Deduction	\$ 287,638 (\$777,400 x 37%)	\$ 111,000 (\$300,000 x 37%)
Tax Benefit	\$ 65,038 (\$287,638 - 222,600)	\$ 111,000 (\$111,000 - 0)
Benefit to Charity	\$ 777,400	\$ 1,000,000
Benefit to Donor	\$ 65,038	\$ 111,000

Other Considerations

You may minimize estate tax exposure - Artwork and collectibles owned at death are included in the decedent's gross estate. If the value of the estate exceeds the current federal exemption amount, then the excess is taxed at top federal rate of 40%.

If you contribute art or collectibles to a charity that does use the gift as part of its charitable purpose, then you are entitled to a deduction equal to the Fair Market Value of the gift.

The IRS requires a qualified appraisal for claimed charitable deductions of \$5,000 or more.

If you contribute to a Donor-Advised Fund you can provide cash flow to contribute to charities of your choice.

Will the charity accept the gift?

Legal considerations?



Conversion of artwork into a funding stream for your philanthropic goals



Potential elimination of capital gains taxes you would pay on the appreciation



Removal of a highly appreciated illiquid asset from your estate for estate tax purposes



A charitable contribution to your favorite charities

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Charitable Contributions of Real Estate



You may claim a Fair Market Value charitable deduction for the gift



Potentially eliminate the capital gains tax you would incur if you sold the real estate and donated the proceeds



Types of Real Estate: Rental, Commercial, Vacation, Vacant lots, Historic, Apartments, Farmland

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Other Considerations When Contributing Real Estate



- If property has been depreciated, gift is reduced by depreciation recapture
- Easier if the property is debt free
- Best if the property has been held for more than one year and has appreciated significantly
- You must be willing to transfer the property irrevocably
- Avoid prearranged sales
- You must obtain an appraisal from a qualified appraiser for contributions more than \$5,000
- Not all charities will accept real estate
- You can stop maintaining the property

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Contribution of Vehicles

Is it a classic, antique, vintage or just old?

- May be important for insurance purposes, but not for tax purposes



How do donated cars help charities?

- Sale of car and use of funds
- Use of vehicle for charitable purpose

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Tax Deductions for Donated Vehicles

Charity Sells Vehicle

- Your deduction is limited to the proceeds of the sale
- The charity will provide you with Form 1098-C – Contribution of Motor Vehicles, Boats, and Airplanes – within 30 days

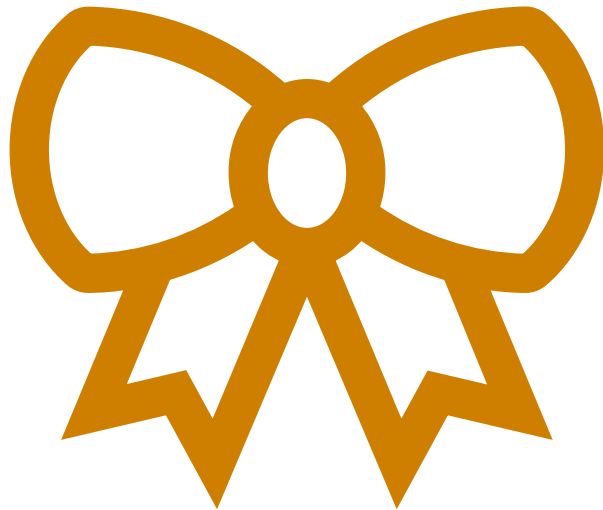
Charity Uses the Vehicle in its Operations

- You can deduct the car's FMV on the date you donated it
- Obtain written confirmation from the charity that they intend to use it.

Charity Sells the Vehicle Below Market to a Needy Individual

- You can deduct FMV on the date you donated it if it furthers the charitable purpose of helping an underprivileged person in need of transportation

Other Charitable Considerations



- Holding period of non-cash assets
 - If short-term deduction limited to basis
- Timing of gifts
- Complex gifts
- Qualified appraisals of donated property
- Bunching charitable gifts

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The Process of Donating Luxury Assets

**Research:**

Start by researching different organizations or causes that align with your values and interests. Look for reputable and transparent organizations that use donations effectively.

**Choose a cause:**

Once you have identified organizations that resonate with you, select a specific cause or project within that organization that you would like to support. This could be anything from education and healthcare to environmental conservation, disaster relief or the arts.

**Determine your budget:**

Decide on the amount of money you are willing and able to donate. Consider your financial situation and how much you can comfortably contribute to the cause.

**Donation method:**

Next, choose the most convenient and secure method for making your donation. Options may include online platforms, bank transfers, checks or an asset transfer.



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Creating a Philanthropic Legacy

- How luxury asset donations create lasting impact
- Involvement of family members in philanthropy

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Leaving a Charitable Legacy

Donor
Advised
Funds

Private
Foundations

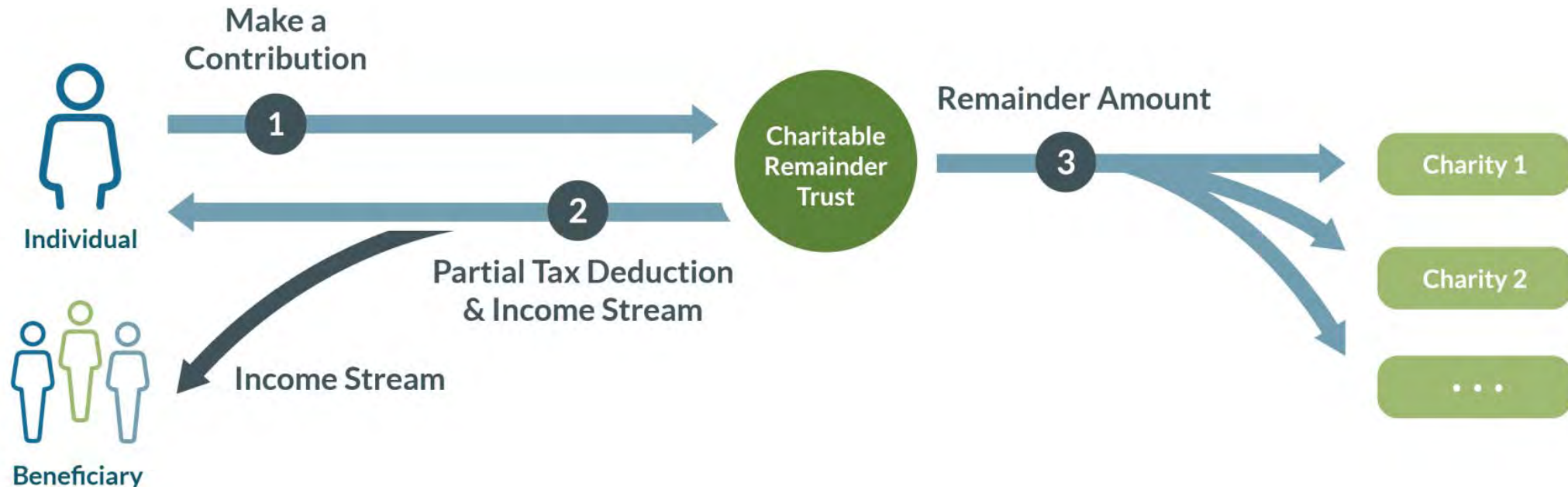
Charitable
Remainder
Trusts

Charitable
Lead Trusts

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Charitable Remainder Trust

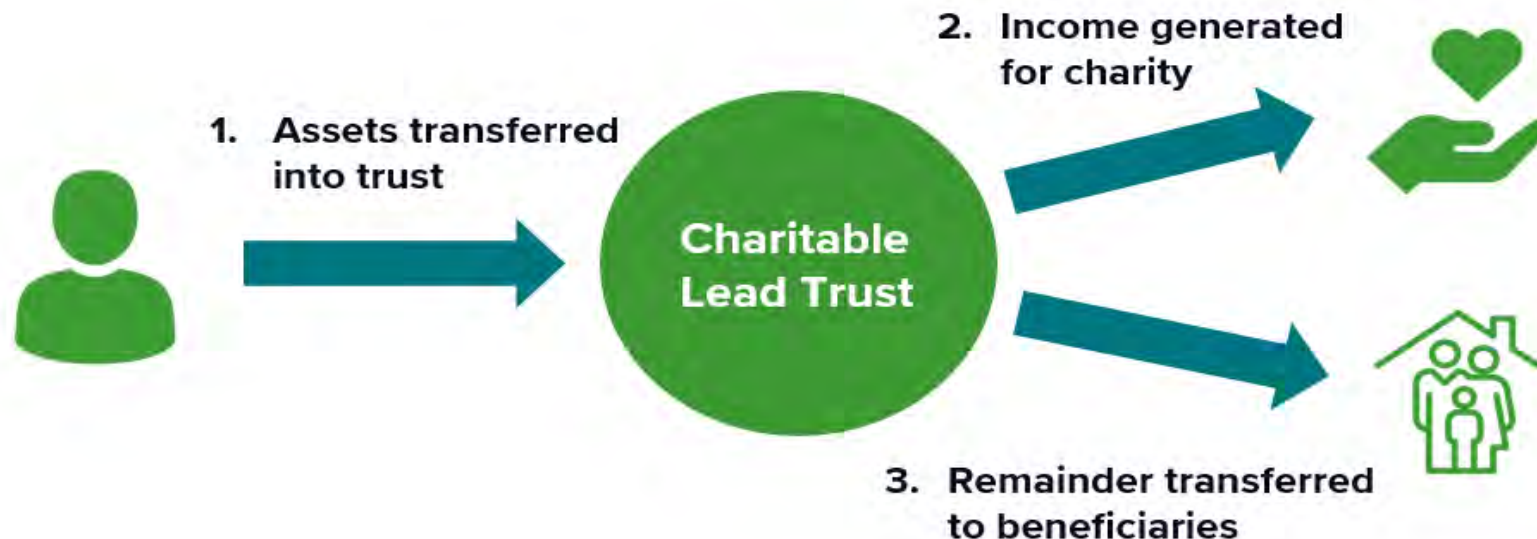
- Donor makes a contribution to the trust that is eligible for a partial tax deduction
- You name yourself or someone else to receive a potential income stream for a term of years, no more than 20, or for the life of one or more non-charitable beneficiaries
- Then name one or more charities to receive the remainder of the donated assets



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Charitable Lead Trust

- Donor makes a contribution to fund the trust which may be eligible for a partial deduction
- Payment from the trust are disbursed to the selected charity as a fixed annuity or percentage of the trust
- At the end of the term, the remaining assets are distributed to non-charitable beneficiaries or the donor



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Optimizing Tax Benefits

- ✓ Taking advantage of tax deductions and credits.
- ✓ Maximizing retirement contributions.
- ✓ Implementing tax-efficient investment strategies.
- ✓ Utilizing tax-advantaged savings accounts.
- ✓ Structuring business expenses and income in a tax-efficient manner.
- ✓ Planning for capital gains and losses.
- ✓ Considering tax implications before making financial decisions.
- ✓ Consulting with a tax professional for personalized advice.



Thank you for
attending

Additional Questions?

Reach out to us at
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