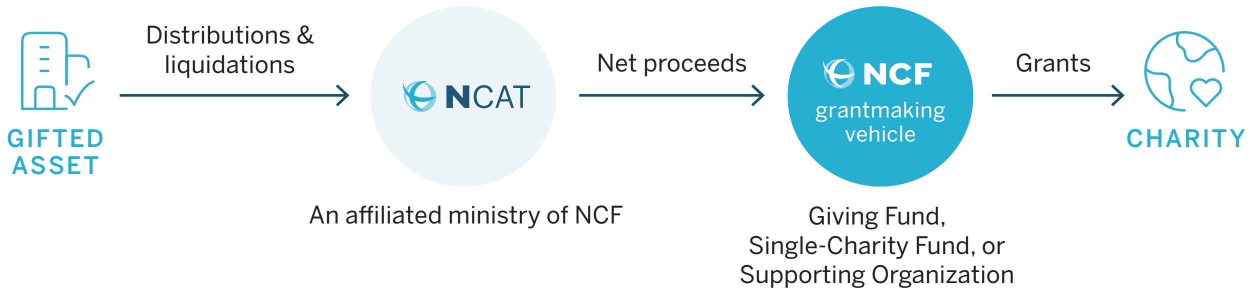
HELPING BUSINESS OWNERS MAXIMIZE CHARITABLE IMPACT

Use your business to multiply your giving

Only a select group of business owners ever has the opportunity to sell their successful company for a sizeable gain. Many of these business owners have a heart to give charitably, but don't know about ministries, like the National Christian Foundation (NCF) and its affiliated ministries that are adept at receiving and liquidating gifts of business interest. Our team of charitable giving professionals can work with you and your professional advisors to donate an interest in your business before a potential sale.



The benefits of giving business interests

- Maximize charitable impact.
- Retain cash by gifting assets from your balance sheet.
- Potentially reduce your income taxes with a fair market value deduction for the gifted asset.
- Move more dollars to charity by potentially avoiding or reducing capital gains taxes on the gifted portion.

The results of giving business interests

This table shows the impact of giving a 10% interest in a $25M LLC taxed as a partnership (with a $500,000 cost basis).†

	FAMILY	TAXES	CHARITY
Sale – gift of cash	$18,746,000	$4,244,000	$2,010,000
Give interest – future sale	$18,791,000	$3,709,000	$2,500,000
Difference	$45,000	($535,000)	$490,000

As a result of giving assets vs. cash, **$490,000** more would go to charity.

† Assumed tax rate of 37% federal tax rate on ordinary income, 20% federal tax rate on capital gains income, 15% marketability discount. The deduction is applied against the highest rate after the charitable floor and itemizer reduction.

Questions for discussion and custom illustration

- What type of business entity do you have? (LLC, C corp, LP, S corp, etc.)
- What is the nature of this business/asset?
- How long have you owned the business?
- What would you estimate to be your tax basis?
- What would you estimate to be the fair market value?
- What amount ($ or %) would you consider gifting?
- Is there any debt associated with the business? If so, how old?
- Have you already agreed to sell the business?

A closer look at the table on page 1

The table below duplicates the one on the first page of this document, along with various assumptions and explanations of the gift of business interest (an LLC taxed as a partnership) to provide more context. NCF and its affiliated ministries do not provide tax or legal advice. The tables shown are for illustrative purposes only and include assumptions on tax rates, business types, and structure which may or may not apply to you, so there is no assurance that the savings depicted can or will be achieved. Consult with your attorney or financial/tax advisor to analyze your particular situation before proceeding.

Sale – gift of cash

FAMILY

$18,746,000

Your family gets $18,746,000. This is after paying $4,900,000 in tax on the gain ($24,500,000 x 20%), making a $2,010,000 cash gift to charity ($20,100,000 x 10%), claiming a charitable deduction of $1,773,600 ($2,010,000 - $135,000 charitable floor - $101,400 itemizer reduction), and potentially realizing $656,200 in tax savings from the gift ($1,773,600 x 37%).

TAXES

$4,244,000

You sell the business first, triggering a long-term capital gains tax of $4,900,000 - 20% federal x $24,500,000 ($25M sale price - $500k tax basis) = $4,900,000. This may be reduced by the $1,773,600 deduction, which could save $656,200 in taxes, leaving an estimated net tax liability of $4,244,000.

CHARITY

$2,010,000

Only $2,010,000 goes to giving, since you're giving from the after-tax proceeds ($25M - $4.9M tax on gain = $20,100,00 x 10% = $2,010,000 cash gift).

Give interest – future sale

FAMILY

$18,791,000

Giving $2.5M in LLC interest, your family may save $701,000 from the larger charitable deduction. This is even if a 15% valuation discount reduces the $2.5M gift to $2,125,000 for the deduction, which is then reduced by $122,800 charitable floor and a $108,200 itemizer reduction, leaving a deduction of $1,894,000. With an ordinary income tax rate of 37%, that's a tax savings of $701,000. The $22.5M in sales proceeds, reduced by net taxes of $3,709,000, leaves $18,791,000 for family.

TAXES

$3,709,000

Since we (a public charity) own the asset at the time of sale, and there is no debt or ordinary income allocated to the gifted interest, no capital gains tax is owed on the $2.5M gifted portion. So $25M asset - $2.5M gift - $450K remaining cost basis = personal gain of $22,050,000 x 20% federal = $4,410,000 in taxes due, which may be offset by the potential $701,000 in tax savings from the charitable deduction, leaving a net tax liability of $3,709,000.

CHARITY

$2,500,000

The full $2.5M goes to giving, since we pay no capital gains tax on the gifted portion as a public charity.

As a result of giving assets vs giving cash, **$490,000** more would go to your favorite charities.