

# Asset Classes Accepted



3000 Pegasus Park Dr. #930 | Dallas, TX 75247 | 214.741.9898 | [dallasfoundation.org](http://dallasfoundation.org)

The Dallas Foundation accepts virtually any kind of asset, subject to its gift acceptance policies. Typical gifts are cash and low-basis, highly appreciated securities. The Foundation can accept assets in the following forms:

## **Cash or cash equivalents**

Cash, in the form of a check or money order, is the most common form for charitable gifts. We are unable to accept currency or coins. The actual tax savings from gifts of cash depend on the donor's tax bracket. The higher the tax bracket, the lower the cost of the gift. For example, a donor in a 35% tax bracket contributes \$100,000 to charity. Because of tax savings, the gift "costs" the donor only \$65,000.

## **Appreciated securities**

Donors who contribute long-term appreciated securities to the Foundation get a double federal tax benefit. Gifts of appreciated securities are deductible at their full market value if held longer than 12 months. Fair market value is the mean between the high and low trades on the date of the gift. The capital gains tax on the stock's appreciation is completely avoided.

## **Closely held stock**

These shares in a privately owned business are usually owned by family members, top management, and the corporation itself. The stock can be contributed outright to the Foundation and the donor is entitled to a deduction for the appraised fair market value. The donor also avoids the potential capital gains tax on any appreciation in the value of the stock.

After the gift, the Foundation may sell the stock to the corporation or to other shareholders for cash. There can be no prior agreement between the Foundation and a potential buyer before the gift is made. The donor is entitled to a deduction for the full value of the stock up to 30% of the donor's adjusted gross income. A qualified appraisal may be required.

## **Real property**

Gifts of real estate include a house or personal residence, farm, vacation home, commercial buildings, and income-producing or non-income-producing land. Gifts of real estate, if held more than one year, are deductible for up to 30% of the donor's adjusted gross income in the year of the gift with a five-year carryforward period, if required. Gifts of real estate may be contributed as outright gifts, as a retained life estate, or as a contribution to a charitable remainder trust, or may be gifted to the Foundation through a donor's will.

## **Tangible personal property**

Gifts of tangible personal property include property such as art, antiques, collectibles, jewelry, rare books, and stamp and coin collections. In most cases, the Foundation's use of the contributed property will be considered unrelated to the Foundation's tax-exempt purposes, limiting the client to a charitable deduction for his or her cost basis in the property.

**Mineral interests**

The Foundation can most easily accept mineral royalty interests. A gift of a working interest will incur unrelated business income tax liability for the Foundation, which may preclude acceptance of such a gift.

The Foundation will require the donor to provide information about the nature of the interest; any encumbrances; the status of taxes, litigation, and regulatory actions; and a title opinion, if available.

The Foundation's mineral custodian will review the interests to be transferred and the supporting documentation. The custodian will recommend to the Foundation whether to accept the gift. The custodian's review may include securing a title opinion if no recent opinion can be secured and updated.

**Life insurance**

Gifts of life insurance enable donors to make a future major gift to the Foundation at a relatively modest cost. Donors need to be aware that retained ownership of the policy by the donor results in its inclusion in the donor's estate; however, policy proceeds are free of income tax to the beneficiary. Donors may name the Foundation as the owner and beneficiary of existing policies that they no longer need. Alternatively, donors may purchase new policies and name the Foundation as the owner and beneficiary. Donors are entitled to a federal income tax deduction for the cash surrender value in the year the gift is made.

**Mutual funds**

Mutual funds can be excellent assets to contribute to the Foundation. The fair market value of a mutual fund share is its public redemption price on the valuation date. Gifts of mutual funds are deductible at their fair market value up to 30% of the donor's adjusted gross income, with a five-year carry forward, if required.

**Qualified retirement plan assets**

Retirement plan assets, such as IRAs, can make ideal charitable gifts. Qualified retirement plans enjoy favorable tax treatment prior to retirement, but may be severely taxed upon the death of the plan participant because they are considered "IRD property." IRD stands for "income in respect of the decedent." Because the owner of an IRA, for example, would have been taxed on distributions from the plan if still alive, anyone receiving those plan assets on his death (except for the surviving spouse) must also pay income tax. Qualified plans may be subject to both income tax and estate tax, which can total 75% or more, depending on the size of the overall estate.

Changes enacted by The Pension Protection Act of 2006 allow individuals aged 70 ½ and older to distribute up to \$100,000 from a qualified IRA to a charitable organization. The donor may exclude this from his/her gross income for each tax year. This however does not apply to donor advised funds, yet does apply to other types of funds at The Dallas Foundation.

If the client is considering charitable gifts, it may be advantageous to name the Foundation as the full or partial beneficiary of the retirement plan, and use other, non-IRD assets for gifts to other heirs. Estate tax and income tax can be avoided if the plan participant makes a gift to The Dallas Foundation at death by beneficiary designation.

For additional information or questions about an unusual gift or an asset type that is not listed, please contact Gary W. Garcia, Senior Director of Philanthropic Partnerships at (214) 741-9898 or by email at [gwgarcia@dallasfoundation.org](mailto:gwgarcia@dallasfoundation.org).