

GIVING QUESTIONS: SCOUTING ANSWERS



PART I. OUTRIGHT GIFTS TO SCOUTING



BOY SCOUTS
OF AMERICA
OCCONEECHEE COUNCIL

DISCLAIMER

This booklet is designed to provide general and accurate information about charitable giving. It is distributed with the understanding that it is for information only and the Boy Scouts of America National Foundation is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expertise is needed to review or advise you on your financial situation, the services of a competent professional should be sought.

THE GIVING QUESTIONS: SCOUTING ANSWERS SERIES

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This series of informational booklets is available through the BSA Foundation, as well as online at www.bsafoundation.org.

SCOUT OATH OR PROMISE

On my honor I will do my best

To do my duty to God and my country and to obey the Scout Law;

To help other people at all times;

To keep myself physically strong, mentally awake, and morally straight.

SCOUT LAW

A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean, and reverent.

SCOUT MOTTO

Be prepared.

SCOUT SLOGAN

Do a good turn daily.

“In my family, as each boy reaches Scout age, I make sure he learns the Scout Law. Then I break it down for him, with a few things I have picked up in more than half a century since I learned it.”

John Wayne

“The only things we keep permanently are those we give away.”

Waite Phillips



CASH GIFTS

Cash gifts are the most basic and important source of support for Scouting. They are easy and popular, and you are entitled to a charitable income tax deduction equal to the *full value* of your gift. Assuming you itemize your deductions, the higher your tax bracket, the more your charitable tax deductions are worth to you. Even if you don't itemize, you are assured of having an immediate impact on Scouting.

As a general rule, a cash gift is:

- Deductible up to 60% of your adjusted gross income each year. Unused deductions may be carried over and used for five years after the gift is made.
- Complete on the date it is delivered, mailed, or charged to a credit card. For example, a gift mailed or charged December 30, 2018 is deductible in 2018, even if the council doesn't receive the funds (or the credit card statement isn't paid) until January 2019.

Income-producing interests such as oil, gas or mineral interests, rental property, copyrights, etc. may also be contributed or assigned to your local council, generating a continuing source of income for Scouting.

STOCK GIFTS

Publicly Traded Securities

For many donors, gifts of stocks or bonds can provide even greater tax benefits than cash gifts – especially if they have appreciated in value. In most cases, you can contribute appreciated, publicly traded stocks, bonds, and mutual fund shares and take a charitable deduction for their full fair market value (IF you've owned them for at least one year). You also avoid paying the capital gains tax on the appreciation.

What if you have securities worth *less* than you paid for them? You may donate them as well. However, selling them and donating the cash proceeds can generate both a charitable deduction and a loss deduction.

Securities you've owned for *less* than one year? You may also donate them, but your charitable tax deduction is usually limited to your cost basis. However, there may be other tax advantages to making gifts of short-term capital gain property with little or no appreciation; be sure and talk to your advisors.

Tax Tip: Securities you have owned for more than a year are deductible up to 30% of your adjusted gross income (AGI) every year. For those held for less than a year, they are deductible up to 50% of your AGI every year, and limited to your cost basis.

Excess deductions for both may be carried over for five years after the year of gift.

A donor considers a gift of \$100,000. It may be cash, or stock he has owned for more than one year with a basis of \$20,000. The comparison:

	<u>Gift/Deduction</u>	<u>Tax Owed by Donor</u>	<u>Capital Gains Taxes Saved</u>
Cash Gift	\$100,000	0	0
Stock Gift	\$100,000	0	\$16,000
Stock sold, Proceeds Given	\$100,000	-\$16,000	0

Closely Held Stock

Gifts of closely held stock offer the same tax advantages as a gift of common stock – and in many cases are very highly appreciated. In fact, some donors use these gifts as a way of indirectly transferring ownership to others such as family members, or regaining control of the shares and establishing a new cost basis for the stock.

A council board member owns 80% of a family business; his children own the other 20%. He transfers to the council a 5% interest in the company and gets a tax deduction for the value of those shares.

The company buys the shares from the council and retires the shares. The council gets the cash, and the children's ownership increases from 20% to 25% of the outstanding shares. The donor may even buy his shares back from the company, retaining his 80% ownership percentage and increasing his tax basis in the reacquired shares.

The advantages of closely held stock gifts are similar to those of publicly traded stock gifts. However, an appraisal may be required to establish the market value of closely held shares.

Stock Options

Stock options can be valuable and often “painless” gifts (you’re giving something you, technically, didn’t own). But gifts of stock options may pose other challenges. The charitable gift of an option won’t necessarily produce an immediate tax deduction. The actual gift value can’t be known until after the council exercises the option. When the option IS exercised, the tax deduction equals the difference between the option price and the stock value on that day.

Also, by terms of the option agreement, some stock options are not allowed to be given away in the first place. If you are considering such a gift, please consult your option agreement and your own advisors.



TANGIBLE PROPERTY GIFTS (GIFTS-IN-KIND)

Whether through inheritance, collecting, or investment, you've probably accumulated a lot of "things". Sometimes, the value is sizeable; sometimes, the value is sentimental. They may be costly to insure and difficult to sell. That's why gifts of art, collectibles (e.g. stamps, coins), antiques, boats, or other "gifts-in-kind" may be great gift alternatives.

When it comes to a deduction for contributing personal property, there are two different tax treatments:

1. If your property is something related to Scouting and the council's purpose – e.g., a canoe, some Scouting art work or memorabilia, a tractor or pickup truck for camp, etc. – your tax deduction will be the current, fair market value of the property. That's true regardless of whether it has gone up or down in value.
2. If your property is something unrelated to Scouting and the council's purpose – e.g., a vintage Corvette, a Picasso, some antique rugs, a signed Mickey Mantle baseball, etc. – your tax deduction is limited to the lesser of your cost basis in it or current value.

Your tax advisor can help you with these decisions. Properly chosen gifts of personal property can be outstanding gifts for you and the local council.



GIFTS OF HOMES, LAND, AND FARMS

For many people, their most valuable assets are real property. These assets often carry a high price: property taxes, maintenance, insurance, and capital gains tax when sold. A gift of property to Scouting may offer significant benefits. These would include gifts of homes, rental properties and vacation homes, farms (including crops, livestock, and equipment), vacant land, or even land rights such as oil, gas, and water rights.

Generally, when you make an outright gift of real property, you:

- Avoid the capital gains tax if the property has gone up in value, and
- Get an income tax deduction based on the fair market value of the property.

Before making a gift of real property, make sure you: (1) have a recent appraisal of it, and (2) are aware of your property's basis and of any debts or liens on the property. As a general rule, gifts of property with mortgages or debt on them create tax problems for both the donor and the council; we often discourage such gifts. Please discuss with the council how they intend to use the property once it is given to them. Will it be used, sold, or repurposed? Are there any environmental concerns or known problems? No one wants any misunderstandings between the council and the donor.

A donor invested \$200,000 in a piece of land many years ago. It is now worth \$600,000. If he contributes it to his local council, he is entitled to a charitable income tax deduction of \$600,000. He also avoids \$80,000 in capital gains tax, tax he would owe if he sold the property instead of giving it away.

BARGAIN SALES AND GIFT SALES

Gifts of real estate are not all-or-nothing propositions. For example, you may donate a partial interest in the land (or in certain land rights), instead of donating the entire property. You receive a tax deduction based on the appraised value of the interest you donate. This is a *gift/sale* arrangement.

A donor has 10 acres of land worth about \$20,000 an acre. She doesn't want to give it all away, so she keeps seven acres and donates three acres to her local council. She gets a tax deduction of \$60,000, and the council has three acres to use or sell as it wishes.

Another option is the bargain sale. Just like it sounds, you sell the property to the council for less than the property is worth. The council gets a good

deal, and the donor gets a tax deduction for the difference between the sale price and the value of the property.

A donor has a property worth \$300,000. She wants to do something for her council but can't afford to give it all away. She sells it to the council for \$100,000, 1/3rd of its value. She gets \$100,000 cash (either now or in installments), and a charitable tax deduction for \$200,000. She only owes capital gains tax on 1/3rd of the proceeds, and the council gets a valuable property for a good deal.

LIFE ESTATE GIFTS

Some people want to give a home, vacation home, or farm to Scouting sometime in the future. But not yet – for now, they still want to use the property themselves. A *life estate* gift helps you do both. A life estate gives Scouting the right to your property after your lifetime – and not before, and you retain the right to use and enjoy it for the rest of your life and/or the life of another. If the property is income-producing (e.g., rent, crops, timber), you may also keep that income during your lifetime. During your lifetime, you will also continue to be responsible for insurance, maintenance, mortgages, etc.

Even though Scouting has no right to use or possess the property until after your lifetime, you still receive an income tax deduction now, for part of the property's value. It also removes the property from your estate.

Instead of a life estate, you could just leave the property to the council in your estate plan, such as in your will or a trust. But if you don't have a taxable estate, there will be no tax savings for such a gift. The life estate

is a way to not only generate a tax deduction, but one you can use now to offset your income tax. Tax deductions usually depend on the age of the donors and the property value.

Mr. and Mrs. Donor, both about 70, have a vacation home worth about \$400,000. They use it a few weeks a year and rent it out when they aren't there. They want the council to have it someday, but not yet. So they make a life estate gift to their council. They continue to use the property, just as before, they still get all the rental income, and they get an immediate income tax deduction for almost half of the property's value. The council cannot use or possess the property until both donors have passed away.

What if you make a life estate gift and, in a couple of years, decide you don't want to use the property anymore? You may always transfer to the council your remaining right to use the property – and receive another current tax deduction.

IRA CHARITABLE ROLLOVERS

An IRA rollover gift can be an easy and effective way to make a gift to Scouting. After all, sometimes gifts of IRA assets to family members or friends may generate an unusually high transfer tax on the assets.

If you are age 70 ½ or older, you have a special opportunity to make lifetime distributions from your IRA. You may designate up to \$100,000 in distributions, annually, from your IRA directly to Scouting, without being taxed on the withdrawals. If your spouse has a separate IRA, he or she may also give \$100,000 during the year to Scouting, tax free. Other things to know about these “IRA direct” gifts:

- Gifts must come from traditional IRAs or Roth IRAs, not from 401(k)'s or 403(b)'s.
- IRA gifts should go directly from the plan administrator to Scouting – they should not come to you first.
- The distribution is not taxed, though you will not receive a tax deduction – especially helpful if you don't itemize deductions.
- IRA direct gifts will count toward your annual required minimum distribution amounts.
- You may specify a use or purpose for your tax-free IRA direct gifts (such as for Eagle Scout scholarships, camp maintenance, pay off a council pledge, etc.), but they cannot be used to fund gift annuities, donor advised funds, or charitable trusts.

This type of gift may be particularly useful for you if: (1) you don't itemize your tax deductions or (2) if you do itemize, but you've already maxed out on your deductions for the year. Depending on which state you live in, your tax advantages may be even greater.

If you are younger than age 70 ½ and still want to make lifetime distributions to Scouting from your IRA, you may do so – however, you will be taxed on the distribution. At best, your tax deduction may offset the tax you paid to make the gift. But, if you don't itemize, this gift may be costlier to make than necessary.

You may always name Scouting as a primary, alternate, or contingent IRA beneficiary at the end of your lifetime. For more information, visit our website, and see Part III of our Giving Questions series, titled *Bequests and Revocable Gifts*. And talk with your own plan administrator and advisors.

VALUING AND DOCUMENTING YOUR GIFTS

The most current information about gift valuation and documentation will come from the IRS. You may want to go to their website (www.irs.gov) and review Publication 561, as well as Form 8283 and its instructions.

For gifts valued at \$5,000 or less, you typically do not need an appraisal. You may establish the value of your gift property using the best information you have: similar sales on ebay, auctions, dealer or store prices, etc. For most gifts over \$5,000, (except publicly traded securities), you will need to have the property appraised. It needs to be a recent appraisal, from a qualified appraiser, but there are other rules as well. So please consult your own advisors and the IRS publications.

Also, your tax deductions are not unlimited for the year. In general, stock, land, or other property you have owned for more than one year is deductible up to 30% of your adjusted gross income (AGI) for the year. If you owned it for less than a year, it is deductible up to 50% of AGI for the year, and the deduction may be limited to the property's cost basis.

For all gifts, though, you can always carryover unused tax deductions for five years after the year of the gift. Please talk with your advisors; there are always exceptions to these rules.



RECOGNITION FOR YOUR PHILANTHROPIC INVESTMENTS IN SCOUTING

Most Scouting entities have their own, unique recognition for those who invest in their programs, youth, and facilities. Councils recognize council donors, Philmont recognizes Philmont donors, etc. However, there are also three donor recognition societies offered at the National level.

The James E. West Fellowship

Membership in the West Fellowship is available for endowment gifts of \$1,000 or more in cash, stocks, or bonds to Scouting. We always recommend that these gifts be made in addition to, and not in place of, the donor's annual support to his or her council.

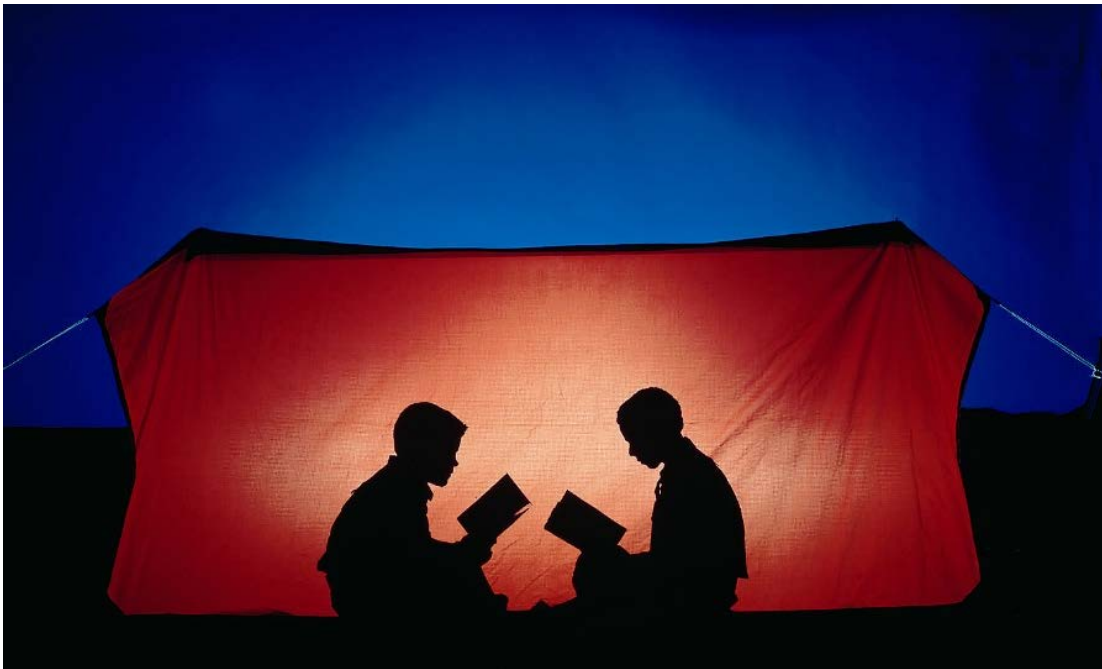
Individuals and corporations often make these gifts on behalf of others – to honor an Eagle Scout, a retired Scouter, special accomplishment or anniversary, or in memory of another. There are also higher levels of the West Fellowship for endowment gifts of \$5,000, \$10,000, and \$15,000. If an institution is truly “the lengthened shadow of one man,” it is fitting that the BSA honor James E. West’s significant contributions to Scouting as its first Chief Scout Executive, serving in that role for 32 years.

Second Century Society

For outright gifts of \$25,000 or more, paid now or pledged over a five-year period, or for deferred gifts of \$100,000 or more (such as bequests, insurance, IRA designations, etc.). Second Century Society gifts may be for operating, capital, or endowment purposes, and may benefit one or more local councils, the Foundation, high-adventure bases or any BSA entity. Donors are recognized at one of four levels: \$25,000 *minimum*; \$100,000 *and up*; \$500,000 *and up*; \$1,000,000 *and up*. There is also a Lifetime Investor award for donors who can document lifetime giving to Scouting, starting at the \$500,000 level.

Presidents Leadership Council

Members of our Presidents Leadership Council receive the highest levels of personal recognition and access opportunities. These donors have made gifts of \$1,000,000 or more to or through the BSA Foundation, within a five-year period, either outright or part of an advised fund or other Foundation gift structure. Even though the gifts are made to the Foundation, donors may designate the gift to benefit any council, high-adventure base, or BSA entity of their choice.



FOR MORE INFORMATION

To find out more about the many giving opportunities available through Scouting, as well as our other giving resources, seminars, and assistance with personal or local council gifts, please:

1. Contact your Scout executive at your local council.
2. Call the National BSA Foundation at 800-580-2219, or visit our website at www.bsafoundation.org
3. Check out our special charitable giving website at www.bsagiftplan.org. This site includes a Gift Calculator to help you confidentially consider the tax benefits and deductions of numerous types of gifts.



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