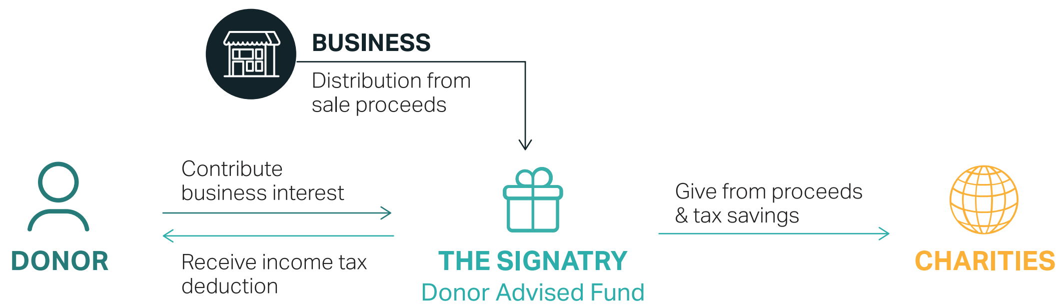
Give Charitably Before the Sale

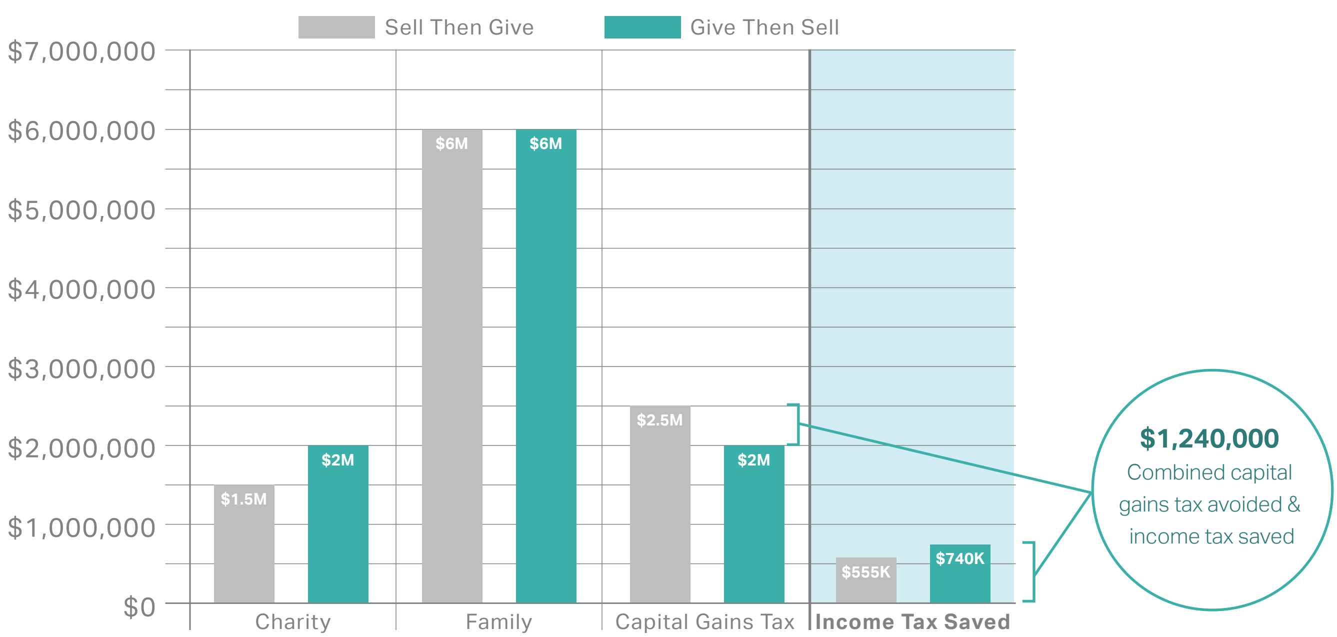
Selling a business often is associated with large amounts of taxes to be paid. However, there is a proven solution that allows this liquidity event also to become a Kingdom changing event. By giving business interest before the sale to a donor advised fund, business owners can receive a tax deduction and potentially even eliminate capital gains taxes. These tax savings allow for even further giving beyond the initial interest donation.

How it works:



Advantage of Giving Before the Sale:

In this example, this shows the impact if a family sold their business for $10 million, and they made a 20% gift either before or after the sale.



This scenario assumes fair market value of **$10,000,000**, ordinary income tax rate of **37%**, capital gains tax rate of **25%**, and basis of **$0**.

Disclaimer: The Signatry does not provide legal, tax, financial or other professional advice. You should consult professional advisors concerning the legal, tax, or financial consequences of your charitable activities.

The Signatry

The Benefits of Giving Closely-Held Stock Before a Sale:

+ **Income tax deduction** Fair market value income tax deduction for the value of the shares/units donated (as determined by a qualified appraisal).

+ **Capital gains avoidance** The shares held by the charity will significantly reduce capital gains tax.

+ **Estate tax benefits** The donated shares/units will no longer be subject to estate tax.

+ **Partial donation** Owners may donate as little as 1% or as much as 100% of their company.

+ **Charitable impact** By donating shares to a donor advised fund prior to the sale, after the company sells, the donor can make grants long-term to multiple charities.

+ **Giving over time** Once the gift is in a donor advised fund, the donor can take time to vet organizations and send grants as needs arise. Plus, the funds within the DAF may grow through investments in order to provide additional granting.

An in-depth look at the numbers:

Below is a breakdown of the numbers on page one.

	Sell Before Giving	Give Before Selling
Capital Gains Tax	Selling the business will mean a capital gains tax of 25% (20% Federal + 5% State) $10,000,000 (sale price) - $0 (basis) $10,000,000 (gain) x 25% **$2,500,000** (capital gains tax)	Since 20% of the company was donated before the sale, there is no capital gains tax on the donated portion. The gift is subtracted from both the fair market value and the cost basis. $8,000,000 ($10M – 20%) - $0 (basis) $8,000,000 (gain) x 25% **$2,000,000** (capital gains tax)
Charity	A 20% gift after the sale: $10,000,000 (sale price) - $2,500,000 (capital gains tax) $7,500,000 (take-home amount) x 20% **$1,500,000** (charitable gift)	A 20% gift before the sale: $10,000,000 (fair market value) x 20% **$2,000,000** (charitable gift)
Income Tax Saved	$1,500,000 will count as a tax-deductible gift. Assuming an income tax rate of 37% (federal + state): $1,500,000 (tax deduction) x 37% (income tax bracket) **$555,000** (income tax saved)	$2 million as a fair market value deductible gift: $2,000,000 (tax deduction) x 37% (income tax bracket) **$740,000** (income tax saved)