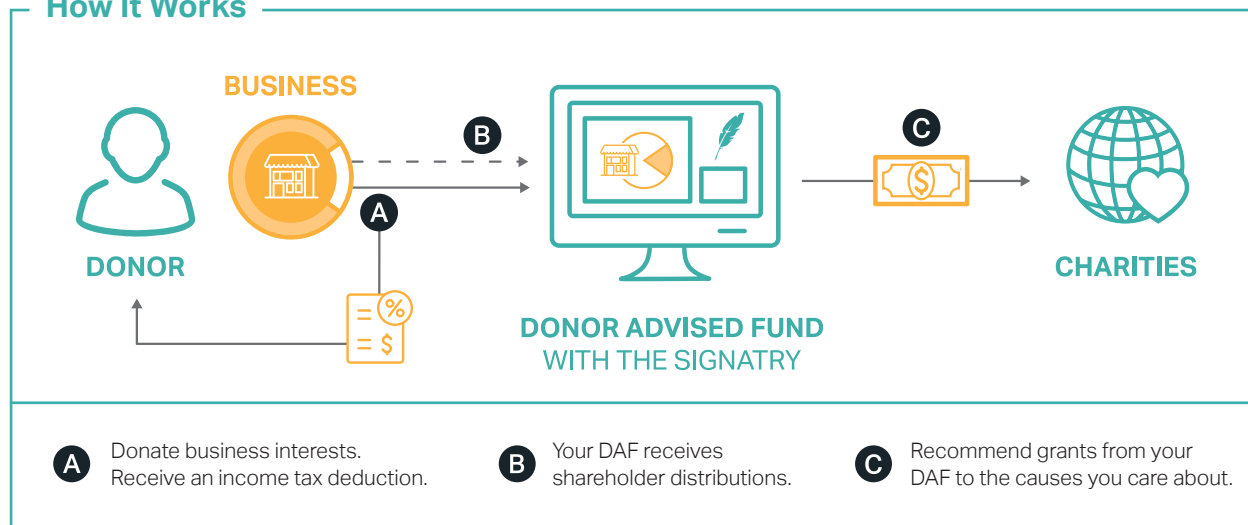


Giving Business Interests

What if you could use your business to create charitable giving opportunities and save taxes? When a business owner gives a non-voting portion of their closely held business interest to a donor advised fund (DAF), they can receive a tax deduction and still maintain management of the business through the remaining voting interests. It is a practical stewardship solution.

How It Works



Benefits

+ Receive an income tax deduction (up to 30% AGI) by donating a piece of the business.

+ Increase cash flow by decreasing your income taxes for the year.

+ The income tax deduction means more money is available for additional giving to charity.

+ The donated shares/units are no longer subject to estate tax.

+ There are opportunities for creative redemption by your children, employees, and others.

+ On the business portion that was gifted to The Signatry, capital gains tax will be reduced or avoided if the business is sold.

Practically Speaking

Suppose a business owner owns a C-Corp, and their share of the business is worth \$10 million (fair market value). Their adjusted gross income is \$1 million, and they typically give \$100,000 to charity each year. If they give an additional 3% of the company shares to charity, here is how their tax and giving situation could change:

	Before Business Gift	After Business Gift
Charity	\$100,000	\$400,000
Taxes	\$378,000	\$252,000

The owner would receive an immediate tax deduction of \$300,000, which means \$126,000 less in income taxes the first year. If they keep giving \$100,000, they could save an extra \$42,000¹ in taxes.

¹Results are calculated based on a 42% State + Federal income tax bracket.

By the Numbers

Below is a breakdown of the numbers on page one.

	Before Business Gift	After Business Gift
Charity	Income is \$1 million, and 10% is gifted to charity annually: $\$1,000,000 \times 10\% = \mathbf{\$100,000}$	Keep giving \$100,000, but combine it with a 3% gift of a \$10 million business interest (\$10,000,000 x 3%=300,000). Combining cash and asset giving: \$100,000 (cash giving) + \$300,000 (asset) = \$400,000 (total giving)
Taxes	Annual income is \$1 million, but the \$100,000 gift is tax-deductible, so taxable income is \$900,000. $\$900,000 \times 42\%$ (Federal + State tax) = \$378,000	Annual income is \$1 million, but with a \$400,000 gift tax-deduction, taxable income is \$600,000. $\$600,000 \times 42\% = \mathbf{\$252,000}$

Now let's add in a couple other factors.

Personal spending	Let's say the owner regularly spends \$150,000 on lifestyle expenses.	Lifestyle expenses remain the same: \$150,000.
Cash left over for savings, investments or additional giving	If your annual income is \$1 million: \$1,000,000 (income) - \$100,000 (cash giving) - \$378,000 (tax) <u>- \$150,000 (personal)</u> \$372,000	Now let's look at how much is left if you give 3% of your business: \$1,000,000 (income) - \$100,000 (cash giving) - \$252,000 (tax) <u>- \$150,000 (personal)</u> \$498,000

Maximize generosity

Use our calculator to see how giving before you sell your asset can increase the impact of your gift. Generate your impact at thesignatry.com/generosity-calculator.

Contact The Signatry at 913-310-0279 or info@thesignatry.com to find out more about giving business interests.

Thanks to the generosity of other complex asset donors who have gone before you, we provide our expertise for these charitable giving solutions at no cost. We invite donors to join this legacy by donating a percentage of their asset gift to The Signatry, so we can continue this mission to equip donors to solve problems in the world and build enduring families.

The Signatry is a 501(c)(3) organization and a donor advised fund sponsor. We facilitate the accounts through which people give, and we work to train, inspire, and equip families, ministries, and advisors for radical biblical generosity.

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.

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