



## **BARBERSHOP HARMONY SOCIETY**

### **GIFTS OF PROPERTY OTHER THAN CASH**

#### **Cash Isn't Always King**

When most people think of charitable giving, they think first and perhaps only about their checkbooks (or credit cards, which they'll later pay off with a check or cash transfer). It's a natural thought, because cash is the simplest thing to give and it's also what charities tend to ask for most often. However, nonprofits and donors who overlook other ways to give are missing out on the chance to make larger gifts with more benefits both to the donor and to the charity.

We're increasing efforts to let you know about these different ways to give to Barbershop Harmony Society, allowing you to make more significant gifts than you might have thought you could make, and giving you additional tax savings and other benefits. Very often, charitable giving can help address non-charitable problems, and we might be able to help you meet your family and personal needs while helping BHS and those it serves in the process.

#### **From Company Stock to Livestock**

BHS can accept many different kinds of property from donors. One of the first questions to ask when contemplating charitable giving is, "What property do I own?" Chances are, cash makes up only a small portion of your overall assets. By looking beyond the cash pocket, you automatically increase your giving potential dramatically. Real estate, publicly-traded securities, privately-held business interests, fine art, intellectual property rights, farmland, even farm inventory such as grain and livestock—all of these can be terrific assets to give to BHS and other public charities, and these gifts don't put a drag on your cash flow. Additionally, Qualified Charitable Distributions from IRAs (QCDs) provide another special giving option for donors who are old enough to qualify.

#### **Publicly Traded Stock and Mutual Fund Shares**

Many people haven't realized something simple but powerful: You can avoid more taxes and provide BHS and other favorite charities greater benefit from your generosity by giving appreciated long-term capital gain property—like stocks or mutual fund shares that have been held for at least a year and have increased in value since purchase—instead of cash. How?

While taxpayers who itemize deductions know that you get a charitable income tax deduction for charitable gifts (subject to the usual limitations), it is less well-understood that you also get to bypass capital gains tax on most gifts of appreciated property when you give them to a qualified charity like BHS after having held them for at least one year. The after-tax cost of the gift is lower (often significantly lower) with appreciated stock and other capital gain property compared with gifts of cash, because with a gift of stock, not only are you allowed a full fair-market value deduction, you

avoid paying the capital gains tax on the difference between the value at the time of the gift and your purchase price (again, all subject to certain limitations).

When you give BHS appreciated property such as stock, mutual funds, or real estate, and BHS later sells the property, our 501(c)(3) tax exemption means BHS doesn't have to pay tax on any gain, unlike individuals who sell property and recognize gain. While everyone should consult with their own professional tax advisors about their specific circumstances, with few exceptions it is better to use appreciated marketable securities for charitable giving in lieu of cash.

### How to Give Stock to BHS

To make a gift of stock to Barbershop Harmony Society, your broker will need some or all of the following information:

- BHS' Account Name
- BHS's Brokerage Firm]
- BHS's Account Number
- BHS's Depository Trust Company (DTC) #
- BHS's Primary Contact at Brokerage
- Brokerage Firm/Primary Contact Address and Phone #
- Stock Gift Contact at BHS

Please use [BHS's Donation of Securities Form](#) to provide this information to your broker.

Please notify Erik Dove, CFO/COO at [edove@barbershop.org](mailto:edove@barbershop.org) or 615-673-4133 when you have made the request to your broker to make sure we can identify your gift when it arrives and process it in a timely manner.

If you would like to make a gift of mutual fund shares, please contact Erik Dove, CFO/COO at [edove@barbershop.org](mailto:edove@barbershop.org) or 615-673-4133 as well.

### **Privately Held Business Interests**

Many businesses are privately held, and closely held business interests, whether in the form of C Corp stock, S Corp stock, LLC interests, LLP interests, or limited partnership interests often can be used for gifts to public charities like BHS. The sale of a business often means a big tax bite for owners, but very often substantial income tax and capital gain tax can be saved through charitable giving techniques.

Once a business has been sold—or even once a purchase agreement has been signed or a sale is inevitable—it often is too late to maximize tax savings. So, if you own a closely held business, appreciate Barbershop Harmony Society, and are even thinking of selling your business in the next few years, please have a conversation with us about tax savings and charitable giving opportunities.

## **QCDs: Qualified Charitable Distributions from IRAs**

A qualified charitable distribution from an IRA (“QCD”), sometimes called “IRA charitable rollover,” is a special giving opportunity available only to donors who are at least 70-1/2 years old or older. In order to receive QCD treatment, the gift must be:

- made from an IRA (traditional or Roth IRA only; gifts from 401(k)s, 403(b)s, or ongoing SEP or SIMPLE IRAs don’t count);
- distributed directly from the IRA to a qualified public charity, like Barbershop Harmony Society (donor advised funds, private foundations, and supporting organizations are not eligible recipients);
- from an IRA owner who is age 70½ or older at the time of the distribution;
- not more than \$100,000 per year from any individual donor (married couples may be able to give up to \$200,000 per year);
- not given in exchange for any *quid pro quo* (e.g., no charitable gift annuities, charitable remainder trusts, or thank-you items); and
- otherwise an income tax-deductible gift for the calendar year, if not for the special QCD tax treatment.

A QCD is excluded from your gross income, and therefore is not tax-deductible. For many donors, the QCD offers a few potential advantages over a regular gift:

1. A QCD allows donors to get a tax benefit from charitable giving even when they do not itemize deductions. If you take a standard deduction instead of itemizing, QCDs may give you a tax break for charitable giving that you wouldn’t get for a regular charitable gift if you also took a regular IRA distribution. In addition, because the special tax treatment reduces gross income, a QCD may help keep non-itemizers in a lower income tax bracket, saving additional tax, when a required minimum distribution (RMD) or other IRA distribution would have bumped them up into a higher marginal tax bracket.
2. Another tax advantage of a QCD may apply whether or not the donor itemizes. A QCD reduces adjusted gross income (“AGI”) compared with a regular IRA distribution. Some deductions, credits, and other tax benefits are based on AGI and phased out at higher income levels, so having a lower AGI may preserve more of those tax-saving benefits.

One more aspect of QCDs donors appreciate is that QCDs can satisfy RMDs (to the extent distributions haven’t already been made from retirement accounts in a given year). Note that the CARES Act temporarily suspended RMDs for 2020, so that feature is more of a benefit in other years. A QCD in 2020, though, will reduce future RMDs by decreasing the IRA balance and the amount on which RMDs are calculated.

### Make an IRA QCD gift to BHS

To make a qualified charitable distribution from your IRA to BHS, contact your IRA administrator and request a qualified charitable distribution to be made directly to Barbershop Harmony Society. Barbershop Harmony Society’s tax ID number is 39-0926339 . The check should be mailed to:

Barbershop Harmony Society — 110 7th Ave. N. — Nashville, TN 37203

QCDs are not always well-identified by IRA providers, so please contact Erik Dove, CFO/COO at [edove@barbershop.org](mailto:edove@barbershop.org) or 615-673-4133 to let us know of your gift as well as any specific program or fund you would like to designate. No *quid pro quo* (anything of value in exchange for the gift) is permitted.

To qualify for the current tax year, your qualified charitable distribution must be completed by December 31<sup>st</sup>. If the check is coming from the IRA administrator, it must be dated and postmarked by December 31<sup>st</sup>, and the processing lead time needed varies by administrator. Contact your administrator well in advance to ensure timely completion.

Note: If you are using an IRA checkbook, your administrator will consider the transfer to occur when the check is processed and the funds transfer after the charity deposits the check, rather than the check date, postmark date, or delivery date. It is therefore recommended, if you're using an IRA checkbook to make any intended QCDs for the calendar year, to send the check no later than the first week of December.

## Real Estate

BHS may accept various types of real estate as a charitable gift, including:

- Residences (primary or secondary homes)
- Cabin or vacation property
- Undeveloped land
- Farmland
- Commercial real estate
- Oil and mineral rights

BHS does not accept time share property.

Gifts of real estate may be made in several ways:

- Outright gift of some or all of property (current gift or in a Will)
- Transfer on Death Deed
  - Varies by state, but available in most states
  - Allows donors to name a charity or individual as a beneficiary upon the donor's death, but may be changed up until death
  - Requires a properly executed deed recorded in the county where the property is located
- Gift with Retained Life Estate (see Ways to Give: Planned Gifts section)
- As a Bargain Sale
  - Donor sells real estate to charity for less than fair market value
  - Charity sells real estate on the market and keeps the difference between the purchase and sale prices

- o Donor receives a charitable deduction for the difference between the appraised value at the time of sale to charity and the charity's purchase price (donor must obtain a qualified appraisal to substantiate any deduction)
  - o Donor may bypass some capital gains on the charitable gift portion of the transaction
- In exchange for income for life
  - o Real estate may in some circumstances be contributed to fund a charitable gift annuity (see Ways to Give: Planned Gifts), subject to certain conditions
  - o Most often, charitable gifts of real estate in exchange for income are accomplished with a charitable remainder unitrust (see Ways to Give: Planned Gifts) in a form known as a "Flip CRUT"

For more information about making a gift of real estate to BHS and what information is needed, please contact Erik Dove, CFO/COO at [edove@barbershop.org](mailto:edove@barbershop.org) or 615-673-4133.

## **Tangible Personal Property**

Gifts of tangible personal property (physical items) may occasionally be of great benefit to BHS. Examples include:

- Artwork
- Musical Instruments
- Valuable Jewelry
- Vehicles (cars, planes, and boats)
- Rare barbershop artifacts or recordings

BHS is not able to accept all items or collections. Consideration must be given to whether the items can be used in a way related to BHS, the relative value, the available market for items that will not be used for the mission of BHS, and potential carrying costs (storage, insurance, maintenance, etc.) or liabilities. Donors will need to file a Form 8283 for contributions of non-cash gifts valued at more than \$500, and need to obtain a qualified appraisal to substantiate a charitable deduction of more than \$5,000 for property other than publicly traded securities, vehicles, intellectual property, or certain inventory items. BHS will file a Form 8282 to report a sale or disposition of any donated items of tangible personal property not consumed or distributed as part of our mission within three years of contribution.

Contact Erik Dove, CFO/COO at [edove@barbershop.org](mailto:edove@barbershop.org) or 615-673-4133 if you are interested in proposing a gift of tangible personal property.

## **Intellectual Property Rights**

Intellectual property rights may be given to BHS. Examples of these rights include:

- Copyright interests
- Trademark rights
- Patent rights
- Royalties

If you have intellectual property rights you wish to contribute to BHS, please contact [Gift Officer Name] at [Gift Officer Email Address] or [Gift Officer Phone #].

### **Farm Inventory, Livestock, and Crops**

Not only is farmland valuable property, farm equipment, animals, and crops all can be used for charitable gifts in certain circumstances. If you are planning to sell your farm or wish to make a gift of livestock or crops for the benefit of BHS, contact Erik Dove, CFO/COO at [edove@barbershop.org](mailto:edove@barbershop.org) or 615-673-4133.

For most people, gifts from assets provide much more opportunity, flexibility, and benefit to the community than gifts of cash alone. The next time you're thinking about charitable giving, think "outside the cashbox."

### **Disclaimer**

Barbershop Harmony Society provides this information as an educational service to our donors, and it is not legal, tax, or financial advice. Please consult with your own independent professional legal, tax, or financial advisors regarding your specific circumstances and how any charitable gift may affect your situation.