MortarStone

Fulfilling Your Campaign Pledge from *Non-Cash Assets*

> **Teach those who are rich in this world not to be proud and not to trust in their money, which is so unreliable. Their trust should be in God, who richly gives us all we need for our enjoyment.**
>
> **1 Timothy 6:17**

Some of the wealthiest people in human history have been characters we find in the Bible. Even a casual reading of Scripture will surface people like Abraham, Isaac, Jacob, Job, David and Solomon, people of deep faith who simultaneously amassed an abundance of material and financial possessions. Like us, they lived their faith imperfectly. Yet each of them exhibited the three characteristics that young Timothy was to teach to his congregation.

An important character trait the rich were to embody was humility. Ideally, our material blessings should convey the humble acknowledgment that all we have comes from God. It takes a concerted effort to guard against self-sufficiency. Notice the words of Moses in Deuteronomy 8:11-14:

"But that is the time to be careful! Beware that in your plenty you do not forget the Lord your God and disobey his commands, regulations, and decrees that I am giving you today. For when you have become full and prosperous and have built fine homes to live in, and when your flocks and herds have become very large and your silver and gold have multiplied along with everything else, be careful! Do not become proud at that time and forget the Lord your God, who rescued you from slavery in the land of Egypt."

Next, we must be disciplined to not place our trust in our money, which, as we know, is unreliable. In the Sermon on the Mount, Jesus reminds us that all that we have is fleeting. ***"Don't store up treasures here on earth, where moths eat them and rust destroys them, and where thieves break in and steal."*** (Matthew 6:19) Responsible stewards should seek to cultivate abundance. The challenge lies in what we do with our abundance, and realizing that even with abundance, money will not protect us from every peril in life. We enter into a relationship with God through Christ by placing our trust in Jesus. But it doesn't stop there. As we continue to grow in the path of discipleship, so should our trust. And if we can place our trust in Jesus for our eternal salvation, shouldn't it be easier to place our trust in Jesus for our day-to-day lives now? We should never love the gift more than the giver.

Finally, Timothy was to instruct those who had abundance to enjoy their wealth. This seems strange, especially if we hold the view that wealth is evil. Remember, money in and of itself is neutral. While we are not to love money (1 Timothy 6:9-10), we can enjoy it. What does it mean to enjoy our wealth?

Some people think enjoyment comes from binging, or spending their money to gratify their own appetites and desires. They spend to acquire objects and experiences. Others, like Mr. One Talent in Jesus' parable, believe that enjoyment comes from burying their wealth in conservative, low risk investments. They are primarily focused on hedging their assets from risk. Then there are those who believe that building wealth is the source of joy, constantly working to grow their wealth with no other goal than to have more. Finally, there are those who enjoy their wealth by using it to bless others. Binging, burying, and building are all secular paradigms for finding joy. But the Christian model that Jesus and Paul advocated is to joyfully use our wealth to bless our family, our community, and our world; creating a living legacy as well as a lasting, eternal one.

Our legacy is created when we bring together our values and our valuables!

Where Do We Begin?

Money represents our W-2 or 1099 income that resides in our checking account and is used to sustain our daily lifestyles. This represents approximately 1-3% of all that we steward.

Wealth, on the other hand, is everything else – our real estate, stocks, retirement accounts, investments, and business interests. This represents approximately 97-99% of all that we steward.

Giving from our illiquid assets is not necessarily about giving more. Rather, it's thinking differently about how you give!

Gifts of wealth are irrevocable and provide at least four important benefits:

1. An Ordinary Income Tax Deduction
2. The Reduction or Elimination of Capital Gains Tax
3. Removal of an Asset from Your Estate Exposed to Estate Taxes
4. Mitigate the Tax Liability of Your Heirs

Four Important Considerations

Who owns the asset?	Is it encumbered?	Is it marketable?	Is there a buyer "waiting in the wings?"

12 Strategies to Fulfill Campaign Commitments

1 Publicly Traded Stock

The IRS accepts the NYSE evaluation, therefore, no appraisal is required. The gift value is determined by the average of the high and the low selling price on the date of transfer (the date the church receives it into their brokerage account) multiplied by the number of shares contributed.

2 Privately Held Stock

Privately held stock must have a qualified appraisal, which may make small gifts inefficient.

- **Subchapter S (S-Corp) Stock**
  The evaluation of S Corp stock is reduced by hot assets. Hot assets are inventory and receivables. Gifts are limited to 10% of Gross Revenue of the company.

  The deduction = 60% of Fair Market Value less the hot assets, with a 5 year carry forward. (This will reduce to 50% in 2025)
  The governing documents must permit transfer to and the ownership of the charity.

- **C-Corp Stock**
  LLCs have members, and C Corps have shareholders, depending on the tax election of the entity. A member or shareholder may give C-Corp stock to the charity, then the stock is repurchased by the company as treasury stock. The donor forfeits ownership of those stocks and the corporation issues a check to the charity. The corporation cannot require the charity to sell back.

- **Restricted Stock Units (RSU)**
  RSU's are restricted by Shareholder Agreement Rule 144. The stock must become unrestricted by the corporate secretary to release the restriction.

3 Mutual Funds

To give from Mutual Funds, you will want to determine the number of units you wish to give, and have them sent to the church's brokerage account. Then, provide a gift letter to the advisor that states it is intended to be a charitable contribution.

4 Real Estate

Deed Transfer of Unencumbered, Privately Held Residential Real Estate.
The deduction is established by the appraisal, not FMV, and is eligible for a tax deduction and elimination of capital gain.

Bargain Sale
A transaction in which the donor receives less than the FMV of the property transferred to charity. The transaction is treated as part sale/part gift, with the donor's basis allocated proportionally between the gift and the sale amount. Any debt encumbered property is treated as a bargain sale, and the gift value is net of the loan amount.

Retained Life Estate
Donors can give a personal residence or vacation home while retaining the right to live there. The transfer is made via deed, and the deduction is for FMV less the remainder interest, depending on life expectancy or term of years.

NOTE: *For each gift to be documented appropriately, the giver will need to attach the appraisal and IRS Form 8283 to their tax return.*

5 IRA QCD

If you are 70.5 years of age, you can give up to $100,000 per year from your IRA through a Qualified Charitable Distribution. You do not receive an income tax deduction for this distribution, but you will eliminate the ordinary income tax you would be required to take with each distribution. Your QCD counts toward your required minimum distribution.

6 IRA RMD

In December, 2022, SECURE ACT 2.0 was signed into law, raising the age for receiving the Required Minimum Distribution to 73. The RMD is the minimum mandatory distribution each IRA holder is required to receive each year. Failure to do so will result in a 25% penalty. One way you can give is to assign your RMD directly to the charity. Since the money bypasses your income, ordinary income taxes are eliminated. Although the income tax is eliminated, you will not receive a tax deduction for this gift. In order to use this strategy, you will need to utilize the charitable rollover provision from your IRA.

7 Grants from Donor Advised Funds

A Donor Advised Fund is like a charitable investment account, for the sole purpose of supporting charities you care about. When you invest cash, securities, or other assets into a DAF, you can receive a tax deduction at the time of the investment. Then those funds are invested for tax free growth and grants may be recommended to virtually any IRS qualified public charity. DAFs funded with cash receive a tax deduction, while DAFs funded with appreciated assets can avoid capital gains tax and remove an asset from their estates. Those who have Donor Advised Funds may direct a grant from their fund.

8 Personal Property: "Anything you can touch and move."

Personal property can receive an ordinary income tax deduction, but the capital gain reduction is based on the qualified appraisal. This includes crypto currency, which is treated like personal property.

If personal property is given to the charity, the cost basis is used to establish the deduction. If it is given for the use of the charity to further its work, the FMV is used.

9 Directing End of Year Bonuses

If you have the right to receive or direct the funds, you're liable for the ordinary income tax. If the company gives the opportunity to direct the bonus, you may avoid the tax, but will not receive the deduction.

10 Oil and Mineral Interests

Standard royalty interests are the most commonly gifted and qualify for an ordinary tax deduction at FMV. They can be difficult to appraise due to volatile market conditions.

11 Charitable Remainder Trusts

A Charitable Remainder Trust is established wherein the donor retains interest income for a term of years not to exceed 20. At the end of life, the remainder is granted to the charity(ies). If you have a Charitable Remainder Trust with the Church as a named beneficiary, you may direct part or all of the income to the named beneficiary.

12 Charitable Lead Trusts

A charitable lead trust pays income to the charity for a term of years determined by the giver. The remainder is then distributed back to the giver (grantor) or the heirs (non grantor) at a reduced gift or estate tax rate.

Conclusion

Gifts from wealth instead of cash will often cause us to wrestle with three important discipleship questions:

CONTROL

Am I living as an owner or a steward?

CONTENTMENT

How much is enough?

SECURITY

Do I have enough?

If you are stewarding highly appreciated assets or are paying more in income taxes than you like, a noncash gift may be the key to helping you better steward what you've been entrusted with while simultaneously making a significant contribution to the campaign!

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