

# Create a Legacy with Lasting Impact



S Corporation shareholders are a tax-savvy bunch. They work hard to grow their assets while minimizing taxes. We think their charitable options should do the same.

If you're anything like the S Corp business owners we know, you realize what a great tool charitable giving can be during a business sale to offset taxes and turn what's likely your greatest influx of income into the gift of a lifetime.

But not all charitable gifts are created equal.

## GIFTING S CORP STOCK: COMPARE YOUR OPTIONS

### DIRECTLY TO CHARITY

Stock Gift:	\$1 million*
Tax:	—\$350,000
<b>Charitable Value:</b>	<b>\$650,000</b>

### VIA THIRD-PARTY TRUST

Stock Gift:	\$1 million*
Tax/Fees:	—\$85,000
<b>Charitable Value:</b>	<b>\$915,000</b>

\*In both scenarios, your charitable deduction is \$1 million.

As you'll see, donating S Corp stock directly to charity reduces the charitable impact of your gift by up to 35 percent after the required unrelated business income tax (UBIT).

By working with a third-party trust, you can reduce the UBIT to an effective rate of 15 percent, preserving more of your hard-earned money to do good work in the community.

Akron Community Foundation has experience working with a third-party trust to offer you charitable options you may not find elsewhere – from the legacy of a donor-advised fund in your name to the maximum tax benefit available from any charitable organization.

# Donor-Advised Funds: The Private Foundation Alternative

Often, business owners who are making a significant gift want to take the opportunity to create a long-term giving vehicle, such as a private foundation. But since private foundations are typically unable to be an S Corp shareholder, using stock to create a private foundation isn't a viable option. Fortunately, you can use S Corp stock to establish a donor-advised fund at Akron Community Foundation.

Donor-advised funds are an excellent private foundation alternative. You can establish one in your or your business's name, and they offer legacy, perpetuity, family involvement, and even anonymity if you wish, without the legal, financial and administrative burden that comes with a private foundation.

Read more about the benefits of a donor-advised fund at [www.akroncf.org/DAFGuide](http://www.akroncf.org/DAFGuide).

## HOW IT WORKS



**Contributes S Corp stock to third-party charitable trust.**

Business owner donates \$1M of S Corp stock with a \$200K adjusted basis.

**Third-party charitable trust sells shares.**

Trust sells stock for \$1M. Trust pays UBIT at trust rate: (\$800K at 15%) = \$120K

**Third-party charitable trust donates net proceeds to ACF.**

Trust receives a 50% AGI deduction, reducing taxes to \$60K. After fees, the business owner's donor-advised fund at ACF receives \$915K.

## Akron Community Foundation Makes It Easy

Are you considering selling your business? We recommend including charity as early in the succession planning process as possible so you get the maximum tax and charitable benefit. We welcome the opportunity to talk with you and your advisor about using a third-party trust to make your charitable gift go further.

A gift of stock takes time to complete, but typically will be more advantageous than a gift of proceeds after the sale.

With a stock gift, you eliminate capital gains tax on the donated shares and receive a charitable tax deduction of up to 30 percent of your adjusted gross income. If the deduction amount is larger than you can use in one year, the surplus can be carried over as a charitable deduction over the next five years.

We're happy to talk with you and your advisors to make sure you get the maximum tax and charitable benefit possible during the sale of your business. Call us at 330-376-8522.

