LEGACY GIFTS TO CENTRAL FLORIDA COUNCIL

BEYOND CASH (2020 Update)

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Gifts of cash have always been the most basic and important source of support for Scouting. They are easy, popular, and the income tax deduction is equal to the full value of the gift. As a general rule, if you itemize your deductions, a cash gift is:

- Deductible up to 60% of your adjusted gross income (AGI) each year. Unused tax deductions may be carried over and used for five years after the gift is made.

- Completed on the date it is hand delivered, mailed, or charged to a credit card. For example, a year-end gift mailed or charged December 30, 2020 is deductible in 2020, even if not received by the council until January 2021.

However, cash gifts also represent after-tax dollars, and they may impact cash flow for many donors. There may be better ways to give… those are Legacy Gifts.

BEYOND … CASH

GIFTS OF APPRECIATED STOCKS, BONDS, AND REAL ESTATE

Giving appreciated property may provide even greater tax benefits than cash gifts. In most cases, if you contribute property you've owned for more than one year – stocks, bonds, mutual fund shares, land, farms, homes, etc. – your charitable deduction is equal to the fair market value of the property. However, by donating these assets you also avoid paying the capital gains tax on any increase in value. It would be a gift of pre-tax assets, not after-tax dollars.

Assets owned for less than one year? These can be good gifts as well – but your tax deduction will be limited to your cost basis (not the fair market value). Property that has decreased in value? You may be better off selling it, contribute the proceeds, and use the tax loss to offset other gains.

There are also different limits on how much of your deduction you can take in any one year. And when it comes to gifts of real property, make sure the council has a clear understanding of possible environmental concerns, expenses/liens, and if the property will be used or sold by the council. **Please talk to your advisors about all gifts and the best timing for you.**

Here's an example of how (and why) gifts of appreciated property may be so beneficial:

A donor is trying to decide between a cash gift of $100,000, a gift of stock or land worth $100,000 (that he paid $20,000 for), or selling the asset and giving the sale proceeds.

	Gift/Tax Deduction	Tax Owed by Donor	Capital Gains Tax Saved (23.8%)	
Cash Gift	**$100,000**	**0**	**0**	**(after-tax dollars)**
Stock/Land Gift	**$100,000**	**0**	**$19,040**	**(pre-tax dollars!)**
Asset Sold	**$80,960**	**- ($19,040)**	**0**	**(tax loss!!)**

PERSONAL PROPERTY GIFTS

Gifts of art, collectibles and collections, antiques, boats, cars, or other items of personal property may also make great gifts to the Central Florida Council. They may be costly to insure, or difficult to sell. Sometimes the value is real, sometimes it's sentimental. But the tax deduction also depends on what the property is and if the council could possibly use it in its Scouting programs.

If personal property has appreciated in value, and is related to Scouting's purpose, your tax deduction is the fair market value of the items. But if the property is unrelated to Scouting or Scouting's mission? Your deduction may be limited to your cost basis. Again, talk to your advisors about this; it could make a big difference with valuable gifts. Many personal property gifts (or gifts in kind) are often worth less than you paid for them (like used cars, boats, etc.). For these gifts, your deduction is the lesser of its current value or what you paid for it, regardless of how the council uses it. Please talk to your advisors about these gifts.

A WORD ABOUT APPRAISALS

When you contribute almost any non-cash assets (other than publicly traded securities), you must document the value of the assets for the IRS. In general, you can substantiate gifts worth less than $5,000 by showing similar sales, auction prices, for sale listings, etc. But assets worth more than $5,000 will require an appraisal. You will also need to complete IRS Form 8283, so see the instructions for it at www.irs.gov. Appraisals will also be needed for less traditional types of assets, such as oil and gas interests, copyrights, patents, etc. But trying to substantiate a large charitable gift without an appraisal – whether it is a Mickey Mantle rookie card, vintage guitar, or a farm – is the fastest way to lose your tax deduction. Please talk with your advisors.

BEYOND … OUTRIGHT GIFTS

BEQUESTS AND BENEFICIARY DESIGNATIONS

Bequests: Current tax laws eliminated the estate tax for 99.9% of us. But making a gift through your will is still an important and effective way to support the council. Plus, reducing or eliminating the estate tax means a larger estate you can give to your family AND the charities you care most about. Most importantly: make sure you have a will, and that your will is up to date. Wills are not just about transferring assets – they are also critical in protecting your family in many ways.

Life Insurance: Gifts of life insurance can be a great way to leverage your gift to Scouting. Many donors transfer ownership of a policy to a council – either paid up, or with premiums due – and receive a current income tax deduction for the value of the policy. Simply naming the council beneficiary of the policy is the most flexible type of gift but – since you still own the policy and can make future changes – you will not receive a tax deduction for it.

IRA and Retirement Plan Transfers: IRAs and retirement plans are often hard hit with taxes when left to heirs. But you may greatly reduce the tax loss by naming the council a beneficiary of some of your retirement plan assets. In addition, if you are age 70½ or older, you may also make lifetime, outright, direct transfers to charity – up to $100,000 a year, per person – without being taxed on those withdrawals. These transfers also qualify for the MRD (even though MRDs now do not need to be taken until age 72). Talk to your plan administrator.

OTHER STRATEGIES

Donor Advised Funds: Donor advised funds are among the fastest and most popular types of gifts. You can create a large "charitable checking account" with Scouting, consolidate your charitable gifts into one fund, and then give advice later as to which charities should receive distributions – both Scout and non-Scout organizations.

It's like a family foundation (and you can even involve your family as advisors), but without the tax issues or limitations. Accelerating your gifts now also increases your chance of itemizing your tax deductions.

Gift Annuities: A simple and effective way to make a gift of cash or stock and receive lifetime income in return, as well as an income tax deduction. The payments are guaranteed, vary depending on your age, and are partially tax free.

At the end of one or two lifetimes, the remaining gift is distributed to the council. A great way to leverage highly appreciated, low yielding assets and increase your income.

A CHARITABLE WORD ABOUT THE 2020 TAX CHANGES

1. The standard deduction is now $12,400/person. A couple must itemize more than $24,800/year before they get any advantage over the standard deduction everyone gets. However, studies show that most non-itemizers don't make gifts for tax reasons – they give because they want to support causes they love. Many advisors suggest "bundling" charitable gifts – paying two or three years' worth of gifts at one time, to help reach the itemizing threshold for the year.

2. There is now no limit to the deductions you can take for charitable contributions, as long as you use cash and itemize. Previously, you could only deduct a maximum of 60% of your adjusted gross income (AGI). But, at least for 2020, 100% of your donation would be tax deductible. I.e., if your taxable income is $500,000 in 2020, and you give away $500,000 to charities in 2020, you won't have to pay taxes on your income.

3. Taxpayers who don't itemize can still take a deduction for up to $300 in charitable contributions on their 2020 tax form. It's the same amount for single filers and joint filers.

4. IRA Required Minimum Distributions are optional in 2020. Even though RMDs are not required for 2020, qualified charitable distributions going directly to charities can still be made for those over age 70 ½.

5. You can still give up to $15,000/year to as many people as you like, without incurring gift tax on the transfer (the annual exclusion), as well as a lifetime exclusion, which allows everyone to give an additional $11.58 million (more than $23 million for a married couple) tax free, to anyone at any time. Plus, the marital deductions and charitable deductions for estates are still unlimited.

As a result of the pandemic and people's concerns for their family, friends, and favorite charities, donor interest in bequests and other legacy gifts has gone up significantly. Saving estate tax is NOT the main motivator for bequest donors. Leaving a legacy is far more important for most people. Like Warren Buffett, many people simply don't want their kids/grandkids to inherit great wealth, regardless of tax changes.

PLEASE NOTE: All information contained herein should be considered for educational purposes only. We are not providing legal advice on any of the subject matter, and personal financial circumstances vary greatly. A Scout is Thrifty – please discuss all gifts with your financial advisors.

CONTACT THE CENTRAL FLORIDA COUNCIL FOR MORE INFORMATION

THANK YOU!!

www.bsafoundation.org www.cflscouting.org

See pages 5-6 for sample bequest and beneficiary designation clauses

SAMPLE BEQUEST CLAUSES – CENTRAL FLORIDA COUNCIL, BSA

Note: Bequests similar to the four samples may also be made to family trusts or charitable trusts, donor advised funds, or numerous other gift vehicles. Any of these bequests may be:

- Contingent on surviving other beneficiaries, or life events
- Residuary gifts, from what may be left over in an estate, and
- Percentage designations from the overall estate

GENERAL BEQUEST

"I give, devise, and bequeath to the Central Florida Council, Boy Scouts of America, a not-for-profit corporation with headquarters in Apopka, Florida, or its legal successor thereto: (*insert sum of money, portion of estate, description of property, or…" the rest, residue, and remainder of my estate."*) to be used for such purposes as the council may designate."

(The simplest way to make a gift to Scouting without conditions. The council board has the freedom and responsibility to determine the use of the funds or property received. They may place the gift in the endowment, spend it on capital or operating needs, etc.)

SPECIFIC BEQUEST

"I give, devise, and bequeath to Central Florida Council, Boy Scouts of America, a non-profit corporation with headquarters in Apopka, Florida, or the legal successor thereto, (*insert sum of money, portion of estate, description of property, or "… the rest, residue, and remainder of my estate."*) to be owned, held, and used by the Central Florida Council for the following purpose(s): (*list specific purpose for which bequest is made*)

If it is found by the executive board of the Central Florida Council that all or part of this bequest cannot be used to the best advantage for the above purpose, then all or any balance of this bequest not so expended may be used for any purpose, approved by said executive board, within the corporate powers of the council."

(When this form of bequest is used, the gift property will be used for the specific purpose or projects chosen by the donor. For example: to fund understaffed Scouting districts, to fund Hispanic Scouting initiatives, to build or improve a council camp or office, provide camperships, etc.)

GENERAL ENDOWMENT BEQUEST

"I give, devise, and bequeath to the endowment fund of the Central Florida Council, Boy Scouts of America, a not-for-profit corporation with headquarters in Apopka, Florida, or its legal successor thereto (*insert here sum of money, portion of estate, description of property, or the rest, residue, and remainder of my estate*), to be added to, held, and administered by the trustee in accordance with the terms, provisions, and conditions as set forth in the declaration of trust of the Central Florida Council."

(When this form of bequest is used, the use of the principal and income from the funds or property is governed by the terms of the council's trust agreement. For many BSA councils, this principal is presumed to be held in perpetuity and may not be spent, unless donor otherwise specifies.)

SPECIFIC ENDOWMENT BEQUEST

"I give, devise, and bequeath to the endowment fund of the Central Florida Council, Boy Scouts of America, a not-for-profit corporation with headquarters in Apopka, Florida, or its legal successor thereto: (*insert sum of money, portion of estate, description of property, or "… the rest, residue, and remainder of my estate"*), to be held in trust by said trustee and by their lawful successor, to be used for (*List specific purposes for which bequest is made – donor may permit use of principal*).

If it is found by the Executive Board of the Central Florida Council that all or part of the income cannot be used to the best advantage for the above purpose, then all or any balance of the income not so expended may be used for any purpose approved by said Board which is within the corporate powers of the council."

(This form of bequest differs by either restricting the use of the income or unrestricting the principal. For example, to fund understaffed Scouting districts, to create camperships for disadvantaged youth, to build or renovate a camp facility or office, etc.)

BEQUEST FOR DONORS CONCERNED ABOUT MERGERS

"I give, devise, and bequeath (*insert sum of money, portion of estate, description of property, or…" the rest, residue, and remainder of my estate."*) to the Central Florida Council, Boy Scouts of America, located in Apopka, Florida, or its legal successor thereto, or, in the event of a merger or consolidation, to the district/geographic area previously served or defined by the Central Florida Council boundaries as of the date of this Will."

BEQUEST ALTERNATIVES

You may also make distributions via beneficiary designations for: life insurance, IRA's and other retirement accounts, charitable trusts, revocable trusts, and gift annuities. To do so, simply ask your plan or fund administrator to provide a Change of Beneficiary form. Write in Central Florida Council, Apopka, Florida, and the percentage you want to go to the council.

BOY SCOUTS OF AMERICA
NATIONAL FOUNDATION

2019

GIVING QUESTIONS? SCOUTING ANSWERS.

Bequests & Revocable Gifts

Outright Gifts

Income Producing Gifts

DISCLAIMER

This booklet is designed to provide general and accurate information about charitable giving. It is distributed with the understanding it is for information only and the Boy Scouts of America National Foundation is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expertise is needed to review or advise you on your financial situation, the services of a competent professional should be sought.

GIVING QUESTIONS? SCOUTING ANSWERS.

Clickable Page Links

This series of informational booklets is available through the **BSA Foundation**, as well as online at www.bsafoundation.org.

GIVING QUESTIONS? SCOUTING ANSWERS.

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INCOME PRODUCING GIFTS

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BEQUESTS AND REVOCABLE GIFTS

Clickable Page Links

BEQUESTS AND REVOCABLE GIFTS

WILLS, BEQUESTS, AND LIVING TRUSTS

Do you have a valid will and/or living trust, and is it up to date? Does it protect your current family and philanthropic needs? A current and valid will is the cornerstone of all financial planning; many people also use living trusts as well.

Studies show that at least six out of ten adults in the U.S. do not have a valid will. Without a will – even a simple will – you cannot control who gets your property, what they get, or when they get it. You cannot protect minors, special needs family members, and you have no control over who oversees your estate. And if you do not have a will, your state will be more than happy to distribute your assets the way it wants, under state statute.

Making a charitable bequest in a will is the most familiar and widely used planned gift to benefit Scouting. This is how many donors choose to establish their legacies, comfortable that they may change or revoke their designations at any time during life. There are different types of bequests to consider, such as:

1. **General:** A designated amount of money, such as "$10,000".
2. **Specific:** A certain item, such as "my 100 shares of Apple stock," "my home at 123 Main Street," "my Norman Rockwell painting titled XXXXX," etc.
3. **Percentage:** A designated percentage of your estate, or part of your estate – e.g., "25% of the farm I own at 125 Market Road."
4. **Residuary:** All or part of anything left after all other general and specific bequests are satisfied. Such as "25% of the rest and residue of my estate." With these bequests, there may or may not be anything left for Scouting.

5. **Contingent Bequest:** Only takes effect if another bequest fails, such as "If my father should predecease me, then this property should go instead to the XYZ Council, BSA." Again, it's possible that nothing will be left for the council.

If your estate is large enough to owe estate tax, your charitable bequests are tax deductible from the estate. For other sample bequest language, please visit **www.bsafoundation.org** and visit the Bequests section.

You may also use your will to establish, or add to, trusts or funds you created during your lifetime. For example, a donor during his/her life can create a donor advised fund, charitable remainder trust, scholarship fund, etc., but not fund it until death – instead, using a bequest or living trust provision to do so. If you prefer using a living trust instead of a will, Scouting can easily be included.

Changing An Existing Will

If you already have a will and want to make some simple changes, you may not have to re-do your entire will. You can make simple changes to a will using a ***codicil***. A codicil is an addition or amendment to an existing will. They need to be executed with the same state law formalities as your will, but they are often very short in length – the gift you add, or the change you make, may be as little as one sentence! Like your will, they also can be revoked or changed during your lifetime.

No matter what your charitable plans, please make sure you have a valid will, and regularly review it so it meets the changing needs of you and your family. Also, consider the many benefits, and the great impact, of naming Scouting in your estate plan.

Don't have a will, and don't plan to see an attorney about your estate plan any time soon? While we cannot recommend that – please, if your state law allows it – consider taking **a couple of minutes** to do a handwritten, basic will that accomplishes the things most important to you, sign it, and date it. Check your state law and what it requires for a valid, handwritten will (or if it even allows it).

LIFE INSURANCE

Life insurance plays an important part in the estate plans of many people. Most people have some form of insurance; many have policies no longer needed for its original purpose. For example, do you have a policy for:

- Children/spouses who no longer need it, or are from a previous marriage?
- A home mortgage, or educational expenses that no longer exist?
- A business you no longer own, or has other coverage at this point?

It may be beneficial to donate such policies to Scouting. In general, if you donate a new or existing policy, your tax deduction is about equal to the policy's cash surrender value. You can also deduct any annual amounts paid to keep the policy in effect.

A donor has a $100,000 life insurance policy she no longer needs. It has a cash surrender value of about $64,000 and she makes annual premium payments of $1,100. If she gives the policy to her local council, naming it as owner of the policy, she receives an immediate income tax deduction for the policy's value. In addition, she may also deduct her $1,100 annual gifts to the council to help keep the policy in force.

Some of the most common uses of life insurance in charitable planning:

- Name the Boy Scouts of America as a beneficiary, or owner, of an existing policy.
- Buy a new policy and give it to the Boy Scouts of America.
- Use your tax savings from a previous gift to Scouting and buy a new policy, such as a second-to-die policy, that names your children as beneficiaries, "replacing" the previous gift.

A donor makes a $250,000 gift to Scouting. His children aren't very happy about losing part of their inheritance. The donor "replaces" the gift in his estate with a $250,000 second-to-die policy, and names his children as beneficiaries. He pays for the policy using part of the tax savings from his earlier gift. The children are happy again.

As with all "check the box" types of designations, please review them regularly to make sure they reflect your wishes and any changes in your personal situation. Also, to get a deduction, you must transfer the policy to Scouting, as the new policy owner. Merely naming the Boy Scouts of America or a local council as a beneficiary of your policy <u>will not</u> generate a current tax deduction (because, as with a bequest, you can change your mind). But retaining the freedom and flexibility to change beneficiaries is often important to many donors. Talk to your own advisors about what is best for you and your family.

IRAS AND RETIREMENT PLANS

Retirement fund assets can be among the most significant assets left in an estate. Unfortunately, **leaving IRA assets to heirs may be one of the costliest gifts of all**, especially if you still have a taxable estate.

You can name Scouting as either a primary or contingent beneficiary of a retirement account (e.g., IRA, 401(k), 403(b), etc.). These gifts may enable you to make a larger gift than you expected; IRA distributions at death, made to Scouting, are not hit with taxes.

For many donors, the best tax wise way to deal with IRAs and other retirement assets estate plans is to name either a spouse or Scouting (or both) as survivor beneficiary. It is easy to name Scouting as an alternate or contingent beneficiary of your retirement accounts – simply request a change-of-beneficiary form from your plan administrator. IRA and other retirement account designations may also be used to fund a charitable trust or fund created during your lifetime (such as a donor advised fund, or scholarship fund), or in your will (such as a testamentary trust).

The flexibility and revocability of IRA designations and the potential tax savings from such charitable gifts may be a great way to meet your philanthropic objecives. Talk with your own advisor.

BANK OR BROKERAGE ACCOUNTS

There are two easy and effective options you can use to make these gifts:

Payable on death (POD) and Transfer on Death (TOD)

Payable on Death (POD) designations are used for bank accounts or certificates of deposit. Transfer on Death (TOD) designations are used for your brokerage or investment accounts, but they operate the same way.

Placing a POD designation on your bank account or CD, or using a TOD designation on your brokerage or investment accounts, allows you to name one or more charities, or persons, as beneficiary of the funds or securities upon your death. These beneficiaries have no rights to the funds until after your lifetime. Until then, you control the funds and may use the money or securities in the account, change beneficiaries, close the account – whatever you choose.

As with other beneficiary designations, these simplify your estate administration process, because they will automatically transfer to your designated beneficiaries without being "hung up" in the estate. Simply ask your bank representative or investment advisor about the simple steps you need to take to place a POD or TOD designation on your accounts.

As with other gifts, state laws in your state govern POD and TOD accounts. Please consult with your financial professionals about these gifts.

NON-CHARITABLE TAX PLANNING

Charitable gifts play an important role in any estate plans – but there are other strategies that are important to an effective estate plan. These strategies typically involve lifetime transfers to your family and loved ones – timing those transfers to minimize the tax burden, and planning them to accomplish what you want, and what others need.

The federal gift tax applies to the **giver** of a gift, not the recipient, for amounts above a specified level. Most gifts are sheltered from gift tax by an ***annual exclusion and a lifetime exemption*** – sometimes, both.

Annual Exclusion

You can give gifts valued up to the annual gift tax exclusion amount each year without ever touching the lifetime exemption. For 2019, the exclusion is **$15,000** per recipient. This is per person, per year, to as many people as you want. If you are married, your spouse can also give $15,000 a year to anyone he or she chooses, without owing gift tax.

A married couple has two children and four grandchildren. The couple can transfer a total of $180,000 a year to their children and grandchildren ($15,000 from husband + $15,000 from wife x 6), tax free. These gifts may be outright or in trust, and can be done every year.

If your annual gifts exceed the annual exclusion, you have two options: 1) pay the gift tax on the excess gift over the annual gift tax exclusion, or 2) avoid the gift tax by using part of your lifetime exemption.

The annual gift tax exclusion is often an excellent way to transfer assets from one generation to another, without having to wait for your estate to do it for you.

Lifetime Exemption

In addition, if you make gifts above the annual exclusion amount, you can also tap into your lifetime exemption. As of the 2019 tax law changes, the lifetime estate and gift exemption effectively shelters from tax the transfer of up **$11,400,000**, per person, either during life or at death.

The increased lifetime exemption presents some great opportunities for families. It means:

- A couple will likely not owe any transfer taxes, or estate taxes, regardless of who they give it to, or when, if their estate is less than $22,800,000.
- Statistically, about 99% of all estates no longer owe estate tax, because the exclusion amount exceeds the value of the estates.
- Setting up trusts for family members just to save taxes may no longer be needed. There are other good reasons to set up trusts, e.g. controlling funds for minors, special needs family members, education, etc. But saving taxes may no longer be one of them.
- It greatly increases how much you leave to family and to Scouting for the purposes you love and support, tax free.

As with all planning, discuss this with your own advisers, especially considering the frequent changes in tax legislation. There are two other exemptions from estate and gift tax that can be very effective as well:

Unlimited Marital Deduction

The amount that can be given by one U.S. citizen spouse to another, either during life or at death, is **unlimited**. Tax-free gifts to non-U.S. citizen spouses, however, are considerably more limited. As of 2019, the limit is $155,000.

Unlimited Charitable Deduction for Estates

If your estate may still be subject to the estate tax (currently, the Federal estate tax rate is 40%), the estate receives an unlimited charitable estate tax deduction for any amounts directed to charity by will, trust, or gift instrument.

For an even more effective estate plan, also consider these strategies:

- Itemize your deductions to help you maximize the amount you can deduct. Consider pre-paying 2-3 years' worth of your regular annual gifts, accelerating pledge payments, and even setting up a donor advised fund to direct future charitable gifts.
- Even if you don't itemize deductions, you may still see considerable tax benefits from gifts of appreciated property. Cash gifts are after-tax dollars, whereas gifts of appreciated property such as stocks and bonds usually represent pre-tax dollars.
- If you are in a high tax bracket, try to shift as much taxable income (dividends, taxable interest) to: 1) income that is either tax-free or long-term capital gain, or 2) to family members in lower tax brackets, either outright or through trusts.
- Defer income to years when you're in a lower tax bracket, and take deductions in years when you're in a higher tax bracket. Consider setting up a deferred gift annuity, giving you tax deductions now but deferring income to lower tax years.

OUTRIGHT GIFTS

OUTRIGHT GIFTS

CASH GIFTS

Cash gifts are the most basic and important source of support for Scouting. They are easy and popular, and you are entitled to a charitable income tax deduction equal to the ***full value*** of your gift. Assuming you itemize your deductions, the higher your tax bracket, the more your charitable tax deductions are worth to you. Even if you don't itemize, you are assured of having an immediate impact on Scouting.

As a general rule, a cash gift is:

- Deductible up to 60% of your adjusted gross income each year. Unused deductions may be carried over and used for **five years** after the gift is made.
- Complete on the date it is delivered, mailed, or charged to a credit card. For example, a gift mailed or charged December 31, 2019 is deductible in 2019, even if the council doesn't receive the funds (or the credit card statement isn't paid) until January 2020.

Income-producing interests such as oil, gas or mineral interests, rental property, copyrights, etc. may also be contributed or assigned to the local council, generating a continuing source of income for the council.

STOCK GIFTS

Publicly Traded Securities

For many donors, gifts of stocks or bonds can provide even greater tax benefits than cash gifts – especially if they have appreciated in value. In most cases, you can contribute appreciated, publicly traded stocks, bonds, and mutual fund shares and take a charitable deduction for their full **fair market value** (IF you've owned them for at least one year). You also avoid paying the capital gains tax on the appreciation.

What if you have securities worth less than you paid for them? You may donate them as well. However, selling them and donating the cash proceeds can generate both a charitable deduction and a loss deduction.

Do you have securities you have owned for less than one year? You may also donate them, but your charitable tax deduction is usually limited to your ***cost basis***. However, there may be other tax advantages to making gifts of short-term capital gain property with little or no appreciation; be sure and talk to your advisors.

Tax Tip: Securities you have owned for more than a year are deductible up to 30% of your adjusted gross income (AGI) every year. For those held less than a year, they are deductible up to 50% of your AGI every year, and limited to your cost basis.

Excess deductions for both may be carried over for five years after the year of gift.

A donor considers a gift of $100,000. It may be cash, or stock he has owned for more than one year with a basis of $20,000. The comparison:

	Gift/Deduction	Tax Owed by Donor	Capital Gains Taxes Saved
Cash Gift	$100,000	0	0
Stock Gift	$100,000	0	$16,000
Stock sold, Proceeds Given	$100,000	-$16,000	0

Closely Held Stock

Gifts of closely held stock offer the same tax advantages as a gift of common stock – and in many cases are very highly appreciated. In fact, some donors use these gifts as a way of indirectly transferring ownership to others such as family members, or regaining control of the shares and establishing a new cost basis for the stock.

A council board member owns 80% of a family business; his children own the other 20%. He transfers to the council a 5% interest in the company and gets a tax deduction for the value of those shares.

The company buys the shares from the council and retires the shares. The council gets the cash, and the children's ownership increases from 20% to 25% of the outstanding shares. The donor may even buy his shares back from the company, retaining his 80% ownership percentage and increasing his tax basis in the reacquired shares.

The advantages of closely held stock gifts are similar to those of publicly traded stock gifts. However, an appraisal may be required to establish the market value of closely held shares.

Stock Options

Stock options can be valuable and often "painless" gifts (you are giving something you, technically, did not own). But gifts of stock options may pose other challenges. The charitable gift of an option will not necessarily produce an immediate tax deduction. The actual gift value cannot be known until after the council exercises the option. When the option IS exercised, the tax deduction equals the difference between the option price and the stock value on that day.

Also, by terms of the option agreement, some stock options are not allowed to be given away in the first place. If you are considering such a gift, please consult your option agreement and your own advisors.

TANGIBLE PROPERTY GIFTS (GIFTS-IN-KIND)

Whether through inheritance, collecting, or investment, you have probably accumulated a lot of "things." Sometimes, the value is sizeable; sometimes, the value is sentimental. They may be costly to insure and difficult to sell. That is why gifts of art, collectibles (e.g. stamps, coins), antiques, boats, or other "gifts-in-kind" may be great gift alternatives.

When it comes to a deduction for contributing personal property, there are two different tax treatments:

1. If your property is something **related to Scouting** – e.g., a canoe, some Scouting art work or memorabilia, a tractor or pickup truck for camp, etc. – your tax deduction will be the current, fair market value of the property. This is true regardless of whether it has gone up or down in value.
2. If your property is something **unrelated to Scouting** – e.g., a vintage Corvette, a Picasso, some antique rugs, a signed Mickey Mantle baseball, etc. – your tax deduction is limited to the lesser of your cost basis in it or its current value.

Your tax advisor can help you with these decisions. Properly chosen gifts of personal property can be outstanding gifts for you and the local council.

For many people, their most valuable assets are real property. These assets often carry a high price: property taxes, maintenance, insurance, and capital gains tax when sold. A gift of property to Scouting such as gifts of homes, rental properties and vacation homes, farms (including crops, livestock, and equipment), vacant land, or even land rights such as oil, gas, and water rights may offer significant benefits.

Generally, when you make an outright gift of real property, you:

- Avoid the capital gains tax if the property has gone up in value, and
- Get an income tax deduction based on the fair market value of the property.

Before making a gift of real property, make sure you: (1) have a recent appraisal of it, and (2) are aware of your property's basis and of any debts or liens on the property. As a general rule, gifts of property with mortgages or debt on them create tax problems for both the donor and the council; **we often discourage such gifts**. Please discuss with the council how they intend to use the property once it is given to them. Will it be used, sold, or repurposed? Are there any environmental concerns or known problems? No one wants any misunderstandings between the council and the donor.

A donor invested $200,000 in a piece of land many years ago. It is now worth $600,000. If he contributes it to his local council, he is entitled to a charitable income tax deduction of $600,000. He also avoids $80,000 in capital gains tax, tax he would owe if he sold the property instead of giving it away.

BARGAIN SALES AND GIFT SALES

Gifts of real estate are **not** all-or-nothing propositions. For example, you may donate a partial interest in the land (or in certain land rights), instead of donating the entire property. You receive a tax deduction based on the appraised value of the interest you donate. This is a ***gift/sale*** arrangement.

A donor has 10 acres of land worth about $20,000 an acre. She doesn't want to give it all away, so she keeps seven acres and donates three acres to her local council. She gets a tax deduction of $60,000, and the council has three acres to use or sell as it wishes.

Another option is the bargain sale. Just like it sounds, you sell the property to the council for less than the property is worth. The council gets a good deal, and the donor gets a tax deduction for the difference between the sale price and the value of the property.

A donor has a property worth $300,000. She wants to do something for her council but can't afford to give it all away. She sells it to her local council for $100,000, 1/3rd of its value. She gets $100,000 cash (either now or in installments), and a charitable tax deduction for $200,000. She only owes capital gains tax on 1/3rd of the proceeds, and the council gets a valuable property for a good deal.

LIFE ESTATE GIFTS

You may have a home, vacation home or farm you want to give to Scouting. But not yet – for now, you still want to use the property yourself. A life estate gift helps you do both. A ***life estate*** gives Scouting the right to your property after your lifetime – and not before, and you retain the right to use and enjoy it for the rest of your life and/or the life of another. If the property is income-producing (e.g., rent, crops, timber), you may also keep that income during your lifetime. During your lifetime, you will also continue to be responsible for insurance, maintenance, mortgages, etc.

Even though Scouting has no right to use or possess the property until after your lifetime, you still receive an income tax deduction now, for part of the property's value. It also removes the property from your estate.

Instead of a life estate, you could just leave the property to the council in your estate plan, such as a will or trust. But if you do not have a taxable estate, there will be no tax savings for such a gift. The life estate not only generates a tax deduction, but one you can use now to offset your income tax. Tax deductions usually depend on the age of the donors and the property value.

Mr. and Mrs. Donor, both about 70, have a vacation home worth about $400,000. They use it a few weeks a year and rent it out when they aren't there. They want the council to have it someday, but not yet. So they make a life estate gift to their council. They continue to use the property, just as before, they still get all the rental income, and they get an immediate income tax deduction for almost half of the property's value. The council cannot use or possess the property until both donors have passed away.

What if you make a life estate gift and, in a couple of years, decide you do not want to use the property anymore? You may always transfer to the council your remaining right to use the property – and receive another current tax deduction.

IRA CHARITABLE ROLLOVERS

An IRA rollover gift can be an easy and effective way to make a gift to Scouting. After all, sometimes gifts of IRA assets to family members or friends may generate an unusually high transfer tax on the assets.

If You Are Age 70 1/2 or Older

If you are age 70 1/2 or older, you have a special opportunity to make lifetime distributions from your IRA. **You may designate up to $100,000 in distributions, annually, from your IRA directly to Scouting, without being taxed on the withdrawals.** If your spouse has a separate IRA, he or she may also give $100,000 during the year to Scouting, tax free. Other things to know about these "IRA direct" gifts:

- Gifts must come from traditional IRAs or Roth IRAs, not from 401(k)'s or 403(b)'s.
- IRA gifts should go directly from the plan administrator to Scouting – they should not come to you first.
- The distribution is not taxed, though you will not receive a tax deduction – especially helpful if you do not itemize deductions.
- IRA direct gifts will count toward your annual required minimum distribution amounts.
- You may specify a use or purpose for your tax-free IRA direct gifts (such as for Eagle Scout scholarships, camp maintenance, pay off a council pledge, etc.), but they cannot be used to fund gift annuities, donor advised funds, or charitable trusts.

This type of gift may be particularly useful if: (1) you do not itemize your tax deductions or (2) if you do itemize, but you have already maxed out your deductions for the year. Depending on which state you live in, your tax advantages may be even greater.

If You Are Younger than Age 70 1/2

If you are younger than age 70 1/2 and still want to make lifetime distributions to Scouting from your IRA, you may do so – however, you will be taxed on the distribution. At best, your tax deduction may offset the tax you paid to make the gift. But, if you do not itemize, this gift may be costlier to make than necessary.

You may always name Scouting as a primary, alternate, or contingent IRA beneficiary at the end of your lifetime. For more information, visit **bsafoundation.org**, or see **page 5** of this document titled "IRAs and Retirement Plans." Be sure to talk with your own plan administrator and advisors.

VALUING AND DOCUMENTING YOUR GIFTS

The most current information about gift valuation and documentation will come from the IRS. You may want to go to their website (**www.irs.gov**) and review Publication 561, as well as Form 8283 and its instructions.

For gifts valued at **$5,000 or less**, you typically do not need an appraisal. You may establish the value of your gift property using the best information you have: similar sales on ebay, auctions, dealer or store prices, etc. For most **gifts over $5,000**, (except publicly traded securities), you will need to have the property appraised. It needs to be a recent appraisal, from a qualified appraiser, but there are other rules as well. So please consult your own advisors and the IRS publications.

Also, tax deductions are not unlimited. In general, stock, land, or other property you have owned for more than one year is deductible up to 30% of your adjusted gross income (AGI) for the year. If you owned it for less than a year, it is deductible up to 50% of AGI for the year, and the deduction may be limited to the property's cost basis.

For all gifts, though, you can carryover unused tax deductions for **five years** after the year of the gift. Please talk with your advisors; there are always exceptions to these rules.

RECOGNITION FOR YOUR PHILANTHROPIC INVESTMENTS IN SCOUTING

Many local councils have their own unique recognition societies. In addition, there are also three donor recognition societies offered at the national level.

The James E. West Fellowship

Membership in the West Fellowship is available for **endowment gifts** of $1,000 or more in cash, stocks, or bonds to Scouting. We always recommend that these gifts be made in addition to, and not in place of, the donor's annual support to his or her council.

Individuals and corporations often make these gifts on behalf of others – to honor an Eagle Scout, a retired Scouter, special accomplishment or anniversary, or in memory of another. There are also higher levels of the West Fellowship for endowment gifts of $5,000, $10,000, and $15,000. If an institution is truly "the lengthened shadow of one man," it is fitting to honor James E. West's significant contributions to Scouting as its first Chief Scout Executive, serving in that role for 32 years.

Second Century Society

The Second Century Society recognizes donors making outright gifts of $25,000 or more, paid now or pledged over a five-year period, or deferred gifts of $100,000 or more (such as bequests, insurance, IRA designations, etc.). Second Century Society gifts may be for operating, capital, or endowment purposes, and may benefit one or more local councils, the Foundation, high-adventure bases or any BSA entity. Donors are recognized at one of four levels: ***$25,000 minimum; $100,000 and up; $500,000 and up; $1,000,000 and up***. There is also a Lifetime Investor award for donors who can document lifetime giving to Scouting, starting at the $500,000 level.

Presidents Leadership Council

Members of our Presidents Leadership Council receive the highest levels of personal recognition and access opportunities. These donors have made gifts of $1,000,000 or more to or through the BSA Foundation, within a five-year period, either outright or part of an advised fund or other Foundation gift structure. Even though the gifts are made to the Foundation, donors may designate the gift to benefit any council, high-adventure base, or Scouting entity of their choice.

INCOME PRODUCING GIFTS

Clickable Page Links

INCOME PRODUCING GIFTS

If you are a charitably-minded individual, this may be a particularly good time to consider gifts such as gift annuities, charitable trusts, and gifts of remainders in homes and farms. With the current tax act, less than 1/10th of 1% of estates are subject to estate tax. In other words, very few estates will get (or need) estate tax savings for charitable bequests.

Of course, income taxes and capital gains taxes still affect almost all of us. That's why many lifetime giving strategies still involve current income tax deductions, capital gains savings and deferral, and annual income payments.

You may, or course, prefer to make your gifts to Scouting in your will or other estate designations. Many people prefer that flexibility, and peace of mind, even without any current tax benefits. But here are some great ideas if you think additional income and tax deductions, will help meet your estate planning needs.

CHARITABLE GIFT ANNUITIES

A charitable gift annuity is a simple contract between you and the Boy Scouts of America. You make a gift, you receive a fixed amount of income, for life, to you, and/or a spouse, or to one or two individuals you select. These payments are sent quarterly and guaranteed by the Boy Scouts of America. The amounts will not change and they are unaffected by market performance.

Annuity payments, are based, in part, on the age of the income beneficiaries at the time their payments begin. You receive an immediate charitable income tax deduction when you make your gift. Also, the annual payments are partially tax-free (considered a return of principal). If you made your gift with appreciated property (stocks, mutual funds, bonds, etc.), part of the annual income will be taxed at the reduced capital gains tax rates.

Perhaps the most important benefits may be: a) a stream of income you can count on for life, and b) the satisfaction of making a significant gift to Scouting when your gift annuity ends. The gift annuity may even increase your current cash flow, depending on what you use to fund it.

The minimum gift for a BSA gift annuity is **$10,000** in cash or stock. You cannot add to a gift annuity once it is made, but you may set up as many of them as you wish and combine the payments. (Some of our donors have ten or more!)

You may choose anyone to receive the payments for life, but all beneficiaries must be at least **60 years of age** at the time the payments begin. Also, there may be gift tax implications if you have chosen beneficiaries other than yourself and/or your spouse. Most donors select themselves and/or a spouse to receive the income.

A 70-year-old donor in the 35% tax bracket wants to set up a $10,000 gift annuity; it will pay 5.6% annually. She is considering either a gift of cash or stock (with a basis of $2,500)

	Tax Deduction	Annual Income	Tax-Free Portion of Payment
CASH	$4,016	$560	67%
STOCK	$4,016	$560	17%

The annuity payments end at the end when the gift annuity term ends (after the lifetime(s) of the income recipients). The remaining value of the original gift, net of fees, is then given to the council chosen by the donor, either for general or specific use.

DEFERRED GIFT ANNUITIES

You may also elect to defer the start of the payments until later – for example, to start when you move into a lower tax bracket, or when you would like extra retirement income. The longer the deferral period, the higher the payout you can expect to receive. Unlike IRAs and other retirement alternatives with contribution limits, there is no limit as to how much you can place in a deferred gift annuity.

A 60 year-old donor (with a 59 year-old spouse) sets up a $50,000 gift annuity but defers the start of the income for five years – until he retires at age 65. He gets an immediate income tax deduction of $14,947 and, when he retires, he and his spouse will receive $2,700 a year for the rest of their lives.

He decides to set up other gift annuities: one every year for the next five years. Each time, he receives another income tax deduction (when he most needs it), has a significant source of extra retirement income, and his council receives these gifts after their lifetimes.

CHARITABLE REMAINDER TRUSTS (CRT)

The ***charitable remainder trust*** is one of the most flexible and effective types of major gifts. Your gift is placed in a trust and the trust sells and reinvests the assets. The trust makes regular income payments to you and/or others for a specific number of years or lifetimes – you can decide if you want this income to start now, or in the future. The CRT may be funded with cash, stocks, bonds, land, or other assets, and you receive an income tax deduction when you create your trust.

You may choose your payout rate (within reason, of course!) and payments are based on the fair market value of the assets placed into the trust. Payments can be a specific dollar amount ***(annuity trust)*** or a fixed percentage ***(unitrust)***. Unitrusts are revalued each year – as the principal changes in value, the annual income also changes. When the trust ends, the principal goes to the Scouting entity (or entities) you choose.

Some donors combine their CRT with a "wealth replacement" strategy – for example, using part or all of the tax savings from their CRT tax deduction to purchase a life insurance policy – "replacing" the assets in the CRT, and having them pass to family members outside of the estate.

You control many aspects of the CRT. In general, the shorter the trust term, or the smaller the payout rate, the larger your charitable deduction. Also, since the assets placed in the CRT are removed from your estate, this may result in significant savings in probate costs and, for larger estates, a reduction in estate taxes.

A CRT requires a trustee, but you may choose a bank or trust company, a family member, or even serve as your own trustee. The trustee should be experienced in financial planning instruments and tax filings. You may select the BSA Foundation as trustee, if the trust is funded with at least $100,000 or more in cash, stocks, or other securities (more for real estate).

A couple has highly appreciated land worth $300,000 (they only paid $50,000 for it). It currently generates no income. They place it into a unitrust paying 5% annually to them for 15 years (2% annual principal growth). The benefits:

Immediate income tax deduction:	$ 141,280
Capital gains tax owed upon gift:	0
(saves up to $59,000 in capital gains tax)	
Total income over 15 years:	$ 257,000
Total gift to the BSA after 15 years:	$ 396,000

Funding a CRT with low-yielding, highly appreciated assets may increase your cash flow and avoid any upfront capital gains taxes. The timing and rates of payment, investments, type of income and other details can be tailored to provide a gift plan that is creative, fiscally sound, and responsive to your needs.

CHARITABLE TRUSTS AND RETIREMENT PLANNING

Most retirement plans limit how much you can contribute or withdraw in any given year. However, using a CRT as a "retirement alternative," may give you much more flexibility – you are only limited by what you choose to put in the trust, and by how much income you choose to receive.

A donor, age 55, has an over funded IRA but wants to create more retirement income. He sets up a charitable unitrust now and adds $50,000 a year in cash and/or stocks to the trust for the next 10 years. He wants a high-growth portfolio (7%) until he retires, then wants to reinvest to generate 5% a year income for the rest of his life (and 2% annual growth). The benefits:

Income tax deduction:	$ 150,000 in the next 10 years
Capital gains tax owed upon gift:	0
Income in the first year of retirement:	$ 41,877
Estimated total lifetime trust income:	$ 1,657,000
Total to the BSA at end of trust:	$ 1,457,000

CHARITABLE LEAD TRUSTS

Some think of a lead trust as a partnership between themselves and Scouting. Some see it as a "mirror image" of a charitable remainder trust. Some look at it as just a loan to Scouting. But most people agree – the lead trust is a great way to benefit Scouting now – using assets that eventually return to you, or to your loved ones, at little to no tax cost.

In a lead trust, your assets are held and invested in trust for a period you choose – either a number of years or lifetime(s). During this period, the income is paid to Scouting, as you direct. You determine how much income that will be, and trust earnings not needed for income are accumulated in the trust. At the end of the trust, the principal (and any growth) is distributed either to you or to anyone you select – tax free.

Tax deductions are largely determined by three factors: who eventually receives the principal, the term of the trust, and the annual payout. In general, if the trust returns to the donor, an income tax deduction is available. If the trust goes to someone other than the donor, only a gift tax deduction is available.

DONOR LEAD TRUST

A donor sold her business for $500,000 in cash. She puts this into a 15-year lead trust paying $25,000 a year to her council (pays 5%, earns 7%). She gets a charitable income tax deduction of more than $292,000 when she creates the trust. Over the next 15 years, the council receives $375,000, and the trust grows to more than $750,000 in value. In 15 years, the donor receives the $750,000 principal and growth in the trust.

FAMILY LEAD TRUST

Another donor places an identical gift into a 15-year lead trust, but he designates his children to get the trust assets when it ends. (Note: This may create gift tax issues, as a non-spousal gift). He gets a charitable gift tax deduction of $292,000. This reduces the potential taxable gift to the children to $207,000 ($500,000 minus $292,000 gift tax deduction). Plus, the donor can use part of his lifetime exclusion to offset or eliminate this tax. When the trust ends, the children get the $750,000 principal, including trust growth – tax free.

The lead trust may greatly reduce the cost of making a large gift to children. Without the lead trust, this donor might need to leave the children more than $1,250,000 just so to receive the same $750,000 after taxes (and this doesn't take into account state inheritance taxes). Just as important, the council gets a sizeable, ongoing gift to use now for operating, capital, or endowment needs.

FOR MORE INFORMATION

To find out more about the many giving opportunities available through Scouting, as well as our other planned giving resources, seminars, and consultation or endowment recognition programs, please contact:

- Your Scout executive at your local council.
- BSA National Foundation at 800-580-2219 or **bsa.foundation@scouting.org**
- The Foundation's Web site at **www.bsafoundation.org**
- Our charitable gift Web site at **www.bsagiftplan.org**

This site includes a Gift Calculator to help you confidentially consider the tax benefits and deductions of numerous types of gifts.

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