



Methodist
ElderCare Services 

Out-of-the-Ordinary Charitable Giving

Consider Exercised Stock Options, Tangible Personal Property and More

If you are of a mind to share your wealth while achieving substantial income tax savings, you already know about making gifts using cash, securities and real estate. But suppose you possess a different kind of asset, one that doesn't seem to fit the mold.

Maybe no one ever suggested that this sort of gift would be acceptable. The truth is, there are perfectly sound ways to reach your philanthropic goals using out-of-the-ordinary giving vehicles.

Nontraditional Assets You Can Donate to Charity

- ✓ Tangible personal property
- ✓ Exercised stock options
- ✓ Copyrights
- ✓ Patents
- ✓ Oil and gas interests



Donating art, antiques or collectibles: These items are called tangible personal property and are fully deductible at their fair market value, provided the organization can use the items in a way related to its normal exempt purposes. For example, the gift of a painting to an art museum would be fully deductible for its fair market value up to 30 percent of your adjusted gross income with a five-year carryover for any excess.

The gift of such assets for an unrelated use are deductible only at your cost basis or their current fair market value, whichever is less, up to 50 percent of your adjusted gross income. We will let you know whether the use is related or not prior to your gift.

Donating exercised stock options: An incentive stock option is a form of compensation in which your corporate employer grants you the right to purchase the company's stock at some time in the future at a specified price.

As long as you have exercised the option and have owned the stock for the required holding period—at least two years from the grant of the option or one year after its exercise—your gift of the acquired stock qualifies for the same deductibility as any gift of appreciated long-term capital gain property: a charitable deduction at fair market value subject to the 30 percent ceiling, and no capital gain imputed to you.

Donating copyrights: If you own the work and the copyright, you must contribute both to be eligible for a charitable deduction. If you inherited a work from the artist or author, however, you can deduct the full fair market value of the work—but it must be put to a related use, as defined earlier.

Donating patents: A patent may make an ideal contribution because, unlike a work of art or a copyright held by the artist or author, it is treated as a capital asset even in the hands of the inventor. Assuming you contribute your entire interest in the patent, any resulting gain is treated as long-term. So you may contribute it and receive a deduction equal to its fair market value (normally based on the expected royalty payments).

Donating oil and gas interests: These come in many forms, such as fee, leasehold, operating or royalty interests, and they may be owned directly or indirectly. As a result, contributing them involves special considerations.

For example, if the oil and gas interest is deemed to be a capital asset in your hands, in certain circumstances it is treated as a deductible gift of property rather than an anticipatory assignment of income. But where it is a production payment, you are not entitled to an immediate deduction when you make the gift. Instead, you include the payments as income when the charitable organization receives them, and you would presumably receive an offsetting charitable deduction.

We Can Help

Now you know there are exceptional advantages to contributing nontraditional assets. We welcome the opportunity to help you and your professional advisors determine the most cost-effective means of achieving your personal and philanthropic goals.

capital gain

the increase in value of an asset like stock or real estate since the original purchase



full fair market value

the price a willing buyer and a willing seller can agree on



cost basis

the original value of an asset, such as stock, before its appreciation or depreciation



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