

10 STEPS FOR 2021 GIVING SUCCESS

Non-Cash Gifts & How They Impact Your Church



Staci Brown
**ECFA COMPLIANCE
LEAD TEAM**



David Thoroughman
CEO MORTARSTONE



Emanuel Kallina
KALLINA LAW

STEP 1 – IDENTIFYING LIFE EVENTS – *What Are They?*

- Something that initiates a redirecting of financial resources for personal benefit or the benefit of others
- Can happen to people directly or by proxy (via loved ones)
- Provide opportunities to care for donors and advance causes we care about
- Triggers for charities to support donors and enhance their sustainability and growth



STEP 1 – IDENTIFYING LIFE EVENTS – *What Are They?*

Life events are often unexpected, expensive, and complicated!

They are unharnessed opportunities to:

1. Tangibly serve/help givers through difficult times
2. Help givers achieve personal financial goals or goals for their heirs
3. Facilitate givers supporting causes they care about
4. Avoid donating money to the government
5. Grow your church's sustainability and giver engagement programs



STEP 2: UNDERSTANDING GIVER COMPOSITION

Identify Your Giving Segments

1. Top Givers (give \$10K+ per year to your church)
2. 55+ years old with regular giving pattern

AMONG THOSE **OVER AGE 50** WHO
WERE DONATING MORE THAN \$500/YEAR
TO CHARITABLE ORGANIZATIONS...

< 9.5%

LESS THAN 9.5% HAD A
CHARITABLE ESTATE PLAN.



STEP 2: UNDERSTANDING GIVER COMPOSITION

Biblical Giving vs. Secular Fundraising

1. “God owns everything.” (Psalm 24:1) vs. “We made it, so what we have is all ours!”
2. “True life comes from being generous and not holding on to our wealth merely for our own consumption and pleasure.” (I Timothy 6:17-19) vs. “The more we have, the happier we will be.”
3. “Our ability to make wealth comes from God and is not the sole result of our own personal genius and hard work.” (Deuteronomy 8:17-18) vs. “We are the master of our own fate and captain of our own ship.”

STEP 3: CREATE DISCIPLESHIP PATHWAYS

1. Create a monthly plan to identify and disciple Top Givers
2. Build authentic relationships with Top Givers
3. Determine what passions and callings your Top Givers value
4. Share your vision and mission for the church and how their values are considered with the direction of the church
5. Ask your Top Givers to participate with the church at a deeper level financially
6. Continue the relationship beyond the initial ask

Remember, building and developing a Gift Planning ministry is an on-going process that requires close assessment, commitment, and follow-through.





STEP 3: UNDERSTAND ACCEPTANCE POLICIES

1. Very important for a church to have a carefully structured gift acceptance policy.
 - Will help staff and givers understand what gifts will or will not be accepted
 - Helps protect the interest of the giver and the church
 - Outlines the due diligence required before a gift is accepted

STEP 3: UNDERSTAND ACCEPTANCE POLICIES

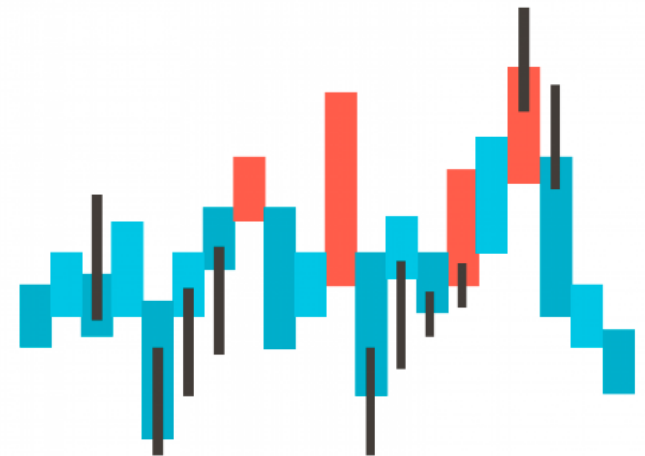
2. Factors to consider/questions to ask:

- If the gift is consistent with the ministry's tax-exempt purposes
- Can the church exercise sufficient control over the gift
- Does the gift have the characteristics of an earmarked transaction
- Will it cost the church money or time to own or sell the asset
- Is there liability in owning or selling the asset
- Is the asset marketable, can it create cash flow
- Is the gift restricted in use

STEP 4: TYPES OF NON-CASH GIFTS & CONSIDERATIONS

Types of Non-Cash Gifts and things to consider with each

- Securities:
 - Can be publicly traded securities or closely held
 - LLC interests, S Corp stock or Partnership interests – donations of these should be closely considered since, in some situations, there could be a tax impact on the church



STEP 4: TYPES OF NON-CASH GIFTS & CONSIDERATIONS

- Real estate:
 - Obtaining clear title
 - Are there environmental issues to address
 - Are there tenants involved with rental properties
 - If the church plans to sell the real estate, has the donor already identified a potential buyer?



STEP 4: TYPES OF NON-CASH GIFTS & CONSIDERATIONS

- Deferred giving/Planned giving:
 - Trusts and annuity contracts provide long term benefits – income stream and potential lump sum at termination
 - Require management and filings on regular basis:
 1. File federal and state tax returns
 2. Incur cost of management
 3. Plan for oversight of investments
 4. Legal fees for initial and periodic review
 5. Understand fiduciary responsibility

STEP 4: TYPES OF NON-CASH GIFTS & CONSIDERATIONS

- Personal property:
 - Value of deduction depends on what church does with the property:
 1. If used for exempt purpose, deduction = FMV
 2. If sold by ministry, deduction = donor's basis
 - Antiques and artwork may appreciate greatly



STEP 4: TYPES OF NON-CASH GIFTS & CONSIDERATIONS

- Vehicle donations:
 - Motor vehicles for use on streets, roads, highways.
 - Boats and aircraft
 - Acknowledgement varies if church uses or sells the vehicle
 - IRS filing requirement



STEP 4: TYPES OF NON-CASH GIFTS & CONSIDERATIONS

- Intellectual Property donations:
 - Gift of patent or IP (other than certain copyrights or inventory – deduction = lesser of taxpayer's basis or FMV)
 - Donor also has additional deduction based on % of income the ministry receives from use of IP
 - Filing requirement to IRS and reporting requirement to donor for reporting income received in use of IP



STEP 4: TYPES OF NON-CASH GIFTS & CONSIDERATIONS

- Gifts of service/time and rent-free use of property – no charitable deduction – church should not provide gift acknowledgment.
- Practically speaking, churches should consider and encourage all types of giving initiatives:
 - Typical yearly giving by members – usually done from disposable income and used for routine operations
 - Campaign giving – often span multiple years, often for capex, larger gift size
 - Planned giving – gifts made from accumulated wealth – usually largest gift a person will make in life



STEP 5: UNDERSTAND STACKING STRATEGIES

- Gift Stacking:
 - Framework created in TCJA of 2017
 - Made the standard deduction more attractive, which can lessen donor motivation (depending upon giving levels, standard deduction could be higher than if donor itemized)
 - Gift Stacking is often used – two-year concept where donor combines two years of typical giving into one year and itemizes larger amount in year one, skips charitable giving in year two and claims standard deduction. Over two-year period can lead to higher overall deductions
 - Presents a challenge for churches – income higher in one year, lower in next
 - Simple strategy is to use a Donor Advised Fund

STEP 5: UNDERSTAND STACKING STRATEGIES

- Donor Advised Fund (DAF)
 - Think of a DAF like a charitable investment account.
 - Donor sets up a DAF with a sponsoring organization
 - Donor makes a contribution and receive tax deduction in the year of the contribution
 - The funds are held in the account and invested, hopefully increasing the amount you have available to direct to charity
 - Donor advises the sponsoring organization that holds DAF to send a grant to the charity or church of their choice
 - They verify the charity or church as a qualified charity, and then send the money

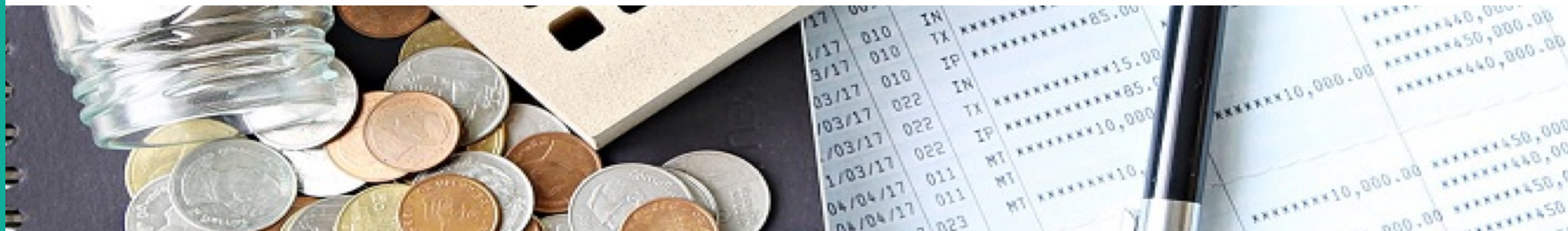


STEP 5: UNDERSTAND STACKING STRATEGIES

- Back to gift stacking –
 - A donor can place their gift stacking donations into a DAF and then grant to your church every year an amount of their typical donation – normalizes your cash flow and creates same tax advantage for them, as well as all of the other advantages of a DAF

STEP 6: REGULATIONS TO UNDERSTAND

- Accounting standards:
 - Nonprofits operate under accounting standards governed by the Financial Accounting Standard Board – or FASB
 - They issue regulations that determine how a church should report restricted gifts – church must track receipt and spending of restricted gifts separately from other gifts



STEP 6: REGULATIONS TO UNDERSTAND

- There may be times you choose not to accept a restricted gift:
 - If restriction prevents you from having discretion and control over the gift (this is an important concept that determines deductibility of the gift)
 - If restriction requires the donation to be used outside of the mission of the church
 - If restriction mandate the funds to be used to benefit the giver's relatives
 - If timing of spending the restricted funds cannot be honored
 - If church doesn't have the capacity to comply with the restrictions – disaster relief that exceeds your capacity to manage or spend
 - If administration or management of the restricted gift could consume an inordinate amount of resources – donation of timeshare

STEP 6: REGULATIONS TO UNDERSTAND

- Other regulations – IRS reporting requirements
 - Some non-cash gifts like vehicles and IP have special IRS reporting
 - Obtaining an appraisal may be required
 - Deferred giving arrangements can have reporting requirements
 - Gift acknowledgments and gift valuation, be aware of:
 - ☐ Whether you use or sell the gift can affect gift valuation
 - ☐ When value of donated property should not be included in the gift acknowledgment
 - ☐ IRS regulations on timing of gift acknowledgments

STEP 6: REGULATIONS TO UNDERSTAND

- Other regulations – governing board limitations
 - Governing board may have placed limitations on what types of restricted or non-cash gifts can be accepted





STEP 6: THOUGHTS TO KEEP IN MIND

- Providing money for ministry is God's work – donors and churches are servants and stewards
- View donors as participants in Kingdom work, not as checkbooks – the giver is more important than the gift
- When we see donors in this light, helps us act in their best interest
- That is foundational to ECFA Standards of Responsible Stewardship™ as it relates to stewarding charitable gifts
- This level of responsibility rises in proportion to the size and complexity of the gift

STEP 6: THOUGHTS TO KEEP IN MIND

- Do not be afraid of the “ask” – many times, high capacity donors often don’t give to their full potential because the ask wasn’t done or wasn’t done well. They want to be asked!
- Be a student of your donors – giving patterns, capacity, etc.
- Asking for and receiving the gift is only part of the equation. Donors must be cultivated and gifts properly stewarded.
- Generosity is ultimately about discipleship, not just “donating”. We give as a response to the Gospel – we give because God gave first. If we believe generosity is about discipleship, creating holistic opportunities to give is one of the best ways we disciple the whole person

STEP 7: CASE STUDIES EXAMPLES

Here's the problem:

A family in California's central valley have built their business from the ground up and are ready to sell. For years, the business grew and its appreciation in value was not taxed. If the family sells the business now all growth (above its tax basis) will result in significant capital gain taxes at the federal and state level.

- How can this family successfully sell their business to avoid capital gains and secure and income tax deduction?
- Would opening a private foundation be advantageous? Giving directly to church? Or something else?

The Answer:

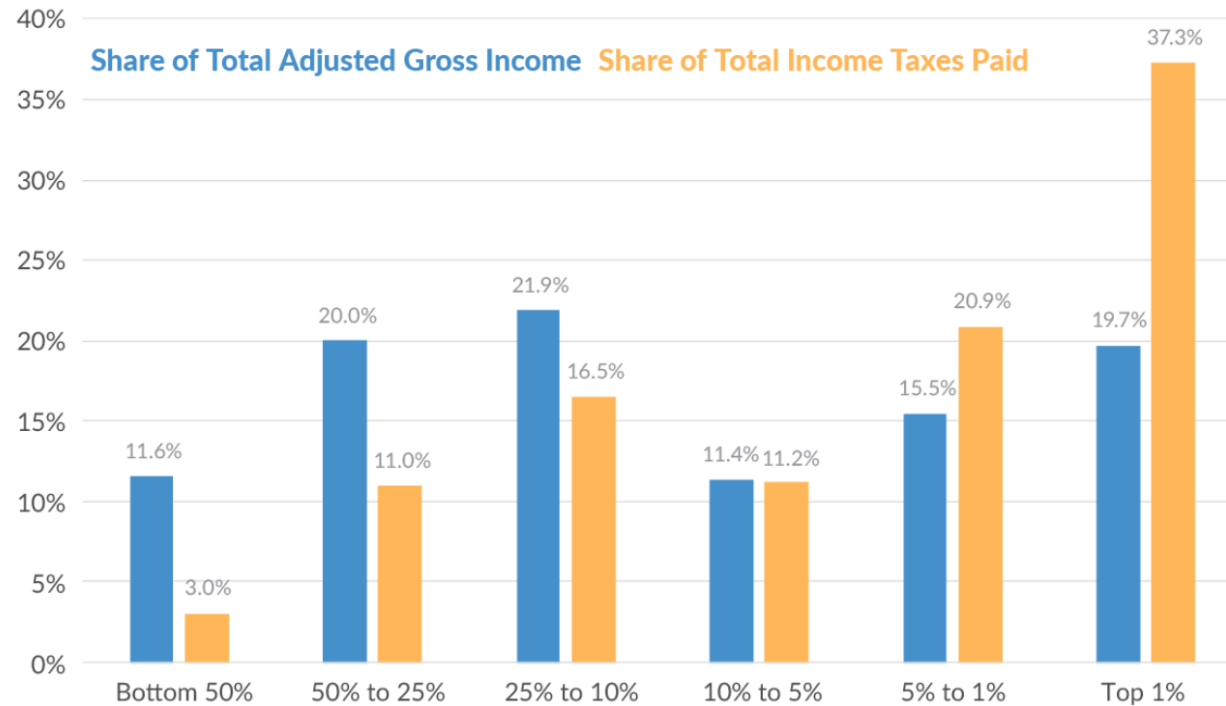
"If your tax dollars could be used to support our church and mission versus supporting the government's spending program, would this be of interest to you? Would you be open to talking with me about how we can leverage your gift?"

Suggesting a **Donor Advised Fund** would be a quick and easy way for this couple to process the sale of their business and save huge capital gains taxes. They can support local, grassroots organizations that wouldn't be large enough to receive business stock.

STEP 8: GIVE LESS TO TAXES

Half of Taxpayers Pay 97 Percent of All Income Taxes

Share of Income and Share of Federal Income Taxes Paid, by Income Group (2016)



STEP 9: Goals Have Options

METRIC	Outright Gift of Cash	Outright Gift of Securities	Charitable Gift Annuity	Bequest	Gift of life insurance	Charitable Remainder Annuity Trust	Charitable Remainder Unitrust	Gift of Retirement Assets	Charitable Lead Trust	Gift of Real Estate
IF YOUR GOAL IS TO:	Make a quick and easy gift	Avoid tax on capital gains	Receive fixed annual payments that are partially tax-free	Defer a gift until after your lifetime	Make a large gift with little cost to yourself	Secure a fixed life income while avoiding market risks	Create a hedge against inflation over the long term	Avoid the twofold taxation on IRA or other employee benefit plans	Reduce gift and estate taxes on assets you pass to children or grandchildren	Avoid capital gains tax on the sale of a home or other real estate
THEN YOU CAN:	Simply write a check now	Contribute long-term appreciated stock or other securities	Create a charitable gift annuity	Put a bequest in your will (give us cash, specific property or a share of the residue)	Contribute a life insurance policy you no longer need	Create a charitable remainder annuity trust	Create a charitable remainder unitrust	Name us as the beneficiary of the remainder of the assets after your lifetime	Create a charitable lead trust that pays income to us for a specific term of years	Donate the property to us, or sell it to us at a bargain price
AND YOUR BENEFITS ARE:	An income tax deduction and immediate impact for us	A charitable deduction plus no capital gains tax	Current and future tax savings on income taxes, plus stable payments	Donations that are fully exempt from estate tax	Current and possibly future income tax deductions	Tax benefits and often a higher rate of return	A variable income for life and tax benefits	The ability to leave your family other assets that carry less tax liability	Reduces your taxable estate, and your family is able to keep the property	An income tax deduction, plus reduction or elimination of capital gains tax

STEP 10: NEXT STEPS

- Adopt Teaching Curriculum - Is this fund raising or faith-raising?
- Establish a church policy on advancement
- Teach small group settings - virtual meetings are the new norm
- Who to invite and why? (givers, advisors, pastors)
- Follow up with individuals, share vision and invite them to be apart
- Use case studies to help people relate to what others have done that went before them. It's not new, rather it dates back to Biblical times

STEP 10: NEXT STEPS

GET A FREE GIFT PLANNING MINISTRY GUIDE FROM:



Email Nikki@kgiving.com to request your report.