



Unlocking the Wealth in S-Corp Donations

It is estimated that there are 4.5 million individual businesses that are structured as S-corps, with an estimated value of nearly \$3 trillion in assets. However, due to the nature of the S-corp structure, the value of these assets are in illiquid form. When a business owner is ready to exit their business, the ability to unlock the trapped wealth within these closely held shares presents an opportunity for the business owner to build a tax smart charitable legacy. A donor advised fund (DAF) paves the way to that legacy.

A tax inefficient way to use S-corp shares for charitable giving is illustrated below:





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Some charities may not have the capability nor desire to accept S-Corp shares. Luckily, the donor could donate the appreciated S-corp shares in a way that is tax-smart and makes more money available for charitable gifts.

An illustration of how a donor could gift S-Corp shares through a Dechomai DAF is illustrated below:

EXAMPLE TWO:

Gifts to Charity Through Dechomai DAF

STEP 1 → STEP 2 → STEP 3 → STEP 4

			
Donor contributes S-Corp shares worth \$1 Million with a basis of zero to Dechomai.	Dechomai sells and pays 8% federal tax (UBIT).	Dechomai grants \$895K in cash to charity (net of Dechomai's fee usually 2.5% or less, and UBIT).	Charity keeps the cash and donor gets a deduction based on the \$1 Million value of shares.