



DECHOMAI
GIFT ACCEPTANCE MADE EASY

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**Q & A from “2024 Top 10 Strange, Interesting and Downright Zany Cases”
<November, 2024>**

<p>We received coins from the estate of a donor whose coins may be worth a lot and may be worth not a lot. The only local appraiser is also the only local coin exchange. How do we get this valued and sold? (No gold.)</p>	<p>Rule of thumb, have someone take a look at the inventory (if there is one), take out the top 10 most valuable coins and then just do some quick web searches for similar sales. With large collectible collections, the top 10 most valuable are usually 75-90% of the total value. Ideally, the executor or personal rep would coordinate, inventory and manage the sale and then give you the cash. But some understandably don't want to do all that work so donate in-kind to charity instead.</p>
<p>Thinking of the farm sale of shares you listed. Isn't there an excise tax by the IRS if you retain too much of a stake in a business through closely held stock?</p>	<p>Kind of, you are referring to an excess business holding. Those are VERY complicated triggers (2% initial trigger, 20% wider attribution, etc.) - but those don't kick in for 5 years. At that time, there is a tax anvil that hits. But there are solutions like designated funds, sale back to related party at full FMV at that time, Type 1 supporting org, etc. So, the quick answer is yes, but not for 5 years. There can be UBTI on active LLC income or S-corp activity during that time, however.</p>
<p>Why would you step away from being the trustee for the CRUT after it's sold?</p>	<p>Because the university wanted to be the long-term trustee - we can do either, but many large universities in particular aren't super excited about being the initial trustee for complex donations but are fine once liquid. So, we carry the first leg of the race and then give the baton to them... but others don't ever want to trustee post sale or even if initial funding is liquid and we are very comfortable doing that long term as needed.</p>

<p>When you donate property to two different entities, do they both hold the deed?</p>	<p>Great question... generally yes, but since Dechomai is the DAF AND the Trustee, it can just be one deed, or you can have it split to the DAF and the CRT as well. I frankly can't remember what Paul and Gary did on this.</p>
<p>For the split outright/CRUT R/E transaction, did you hire a property management company or do it yourself (i.e. Charitable Solutions)?</p>	<p>We usually do it ourselves unless there is already a property management firm in place (or the donor may be able to do it for free if he/she is already doing that).</p>
<p>Given the recent elections, and the sunseting of the 2017 tax laws, are you anticipating more or less last-minute tax planning items before end of year?</p>	<p>No clue really. The summer was the busiest we have ever had, and people weren't mentioning the election as much as you would think. So, it will clearly have some impact and planning discussions but not sure how much clarity we will get and when we will get it.</p>
<p>We had a discussion about a gift of a large number of collectibles of many kinds (autographed movie posters, comic books, jewelry, toys, etc.). The donor insisted that each type had its own specialized market, and if we were to hand it to an estate liquidator, we'd get a fraction of the value. She insisted that we would need to do the work of exploring the "real" market for each type of collectible, which would have been an unreasonable administrative burden for uncertain results. So ultimately the donor opted not to give it to us. Might Charitable Solutions have been able to handle this differently?</p>	<p>We would have done EXACTLY what you did - I love collectors, but they can be let's say quirky and emotionally connected to their collections. One person called me and had over 5,000 packs of playing cards (he was very proud that he held the Guinness Book of Work record collection!). He said if we sold more than 5 packs a month, it would depress the prices so we should sell that amount on Ebay each month to maximize the price. I am a math person, and I can divide 5 packs into 5,000 and my great, great, great grandchild would still be selling the cards. The donor should do that himself/herself or it goes to auction - there is no other way to do it at a reasonable fee.</p>
<p>What is the advantage to the company and/or donors with this structure?</p>	<p>Assuming this is a reference to the Up-C donation, it's a great question. Since the LP units are exchanged for public stock, it would seem simpler for the donors to simply donate the public stock.</p> <p>The problem is that exchanging the LP units is a taxable event. So that's the motivation for the donors to donate prior to the exchange.</p>

<p>What is an Up-C?? (maybe it was defined, and I wasn't listening as closely as I should have)</p>	<p>Up-C are business structures that generally are rollups of other businesses (kind of like an UPREIT for real estate) - some Google searches will give you deeper info or ChatGPT of course</p>
<p>Wow, I'm surprised as there can be so much to manage from a leaky pipe to no hot water, grass needs to be cut, etc. That can be a lot of work!</p>	<p>Yes, and these things inevitably come up...not every time, but do enough of these, and you will run into them all. This is why strong property management is important.</p>
<p>Have you ever managed a donation of units that are held in in co-op agreement or building? Do you just proceed as if you are one of the several owners?</p>	<p>Yes, these work great, or it is a nightmare. There is no greater perch for a passive aggressive person than a co-op Board! But it is very possible.</p>
<p>I had an experience where a potential donor could not get approval from the co-op board to donate the unit.</p>	<p>Yes, that is a real possibility with these. And it probably took months for the board to arrive at that decision. You and the donor are totally at their mercy.</p>
<p>Could the one charity have been a DAF, with options for the family members to later direct distributions to other charities?</p>	<p>That is exactly what we did - we are a DAF. The family went to 5 other DAFs and none of them wanted to coordinate the entire group. So, we have taken it in, and then will make grants to all the other community foundations and DAFs for each family member.</p>

<p>Dang - "dubious" sounds kind - RUN for the hills!</p>	<p>Indeed, it was tax fraud. There have been a few real estate national firms that have marketed this concept and got popped hard by IRS. On the "good" bargain sale (by the way we had to postpone the closing on a Wed because the hurricane was going to hit on Thurs), we also can buy the indebted portion of property so it can be "clean" when going into a CRT as an example.</p>
<p>Are there issues with expectations about value received? So if there are limits for the sale, sometimes, the donor who may have been involved in the company beforehand, gets a better price than a 3rd party when they sell.</p>	<p>We are usually able to tag along with the overall sales price with the donor if that is what you mean.</p>
<p>Yes-ish. We had accepted restricted price and when the window opened for sale and both the donor notified the company that they wanted to sell and we wanted to sell, (1) the company accepted all the donor's interests, but not ours and (2) the price the donor received for his interests was significantly higher than the price we received on a per share basis.</p>	<p>As you know, the charity must get the same terms as the donor assuming similar share class. There can be some kind of allocation issue for redemption, but this can be a potential excess benefit transaction issue. This comes up more than you would think on settlement (does donor get cash, and we are forced to get only rollover stock?) - we have to be given the same options all things being equal.</p>
<p>Am I to understand that Dechomai partners with Charitable Solutions? What is the relationship?</p>	<p>Charitable Solutions is the administrative services provider to Dechomai.</p>
<p>Did you say that a CRUT cannot be a shareholder of a Sub S corp?</p>	<p>Correct, would blow the S-election</p>
<p>A nonqualified trust would also be immediately subject to all tax not currently distributed to a beneficiary</p>	<p>Yes, excellent point! Usually less of a concern with illiquid assets (rent, distributions, etc. are often small relative to asset value), but can be very relevant once we're looking at marketable securities held inside the CRUT.</p>

<p>Can a DAF be the charitable beneficiary of a testamentary CRT?</p>	<p>Yes, totally allowed!</p>
<p>How can we access Trustee Docs?</p>	<p>Paul Caspersen on our team should have some good resources and samples here.</p>
<p>What is the minimum recommended transaction amount that you would work with (for a CRT, CGA, ...)</p>	<p>For CGAs funded with cash or marketable securities, \$20,000. For CGAs funded with noncash assets, \$400,000.</p> <p>For CRUTs funded with marketable securities, \$200,000. For CRUTs funded with noncash assets, \$500,000.</p>
<p>Are there noncash assets a CRT cannot accept that public charities can?</p>	<p>Any UBIT assets are trickier for a CRT (including debt-encumbered real estate), and S-corporations are also a nonstarter!</p>
<p>So if a donor chooses to terminate a CRT early in order for the charity to get the remainder early, the donor needs another qualified appraisal in order to take the tax deduction for the early termination?</p>	<p>Yes. Lifetime income interest is the asset that needs to be valued. Same is true for CGAs, incidentally.</p>
<p>Clarification: can you have multiple income beneficiaries on a CRT?</p>	<p>Yes, subject to practical limitations which make this somewhat rare (i.e. CRT must have 10% remainder for charity). Income to donor+spouse is easy, but donor+grandchildren, less so.</p>