GIVING PRIVATELY HELD BUSINESS INTERESTS

Does your exit strategy involve charitable giving? Including giving in your exit strategy can help mitigate your tax liability and benefit your community. Making a gift of privately held business interests to a donor-advised fund, also known as a charitable giving account, will give you an immediate tax deduction with the flexibility to decide when and where you want to give.

1. Complete a short donation form available at ***www.growyourgiving.org/business-donations*** to provide us with basic details about your gift, including the nature of the business and the percentage you wish to donate.

2. Gather and send the following documents to us at ***corporatecounsel@growyourgiving.org***.
   - Articles of Incorporation, Certificate of LP Formation or Articles of Organization
   - Bylaws or Partnership/Operating Agreement
   - List of Shareholders, Partners or Members
   - Most Recent Financial Statement and Tax Return

3. We will contact you to discuss the gift to your donor-advised fund. If you do not have a donor-advised fund, you can quickly and easily set up a fund at ***www.growyourgiving.org***. There is no minimum balance required for the fund, and we will not assess any fees to the fund until after we receive your gift.

4. Sign a custom gift agreement that we will provide based on the structure of your gift.

5. Start giving! We will send a user name and password, so you can manage your fund online. You can use our online portal to check your balance, view statements, and, if there is cash available in your fund, make grants to support your church, synagogue, alma mater, the arts, social services or any 501(c)(3) public charity in the country.

MORE

Greater Kansas City Community Foundation℠

1055 Broadway Blvd., Suite 130 | Kansas City, MO 64105
866.719.7886 | www.growyourgiving.org

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GIVING PRIVATELY HELD BUSINESS INTERESTS

(Continued)

Limited Liability Company Case Study

Anna Brown owns a successful landscaping business with her business partner, Henry Smith. The business was formed as a limited liability company (LLC) and is taxed as a partnership. Anna owns a 70% interest in the LLC, Henry owns 30%. They are ready to retire, but neither of them have children interested in taking over the business, so they are planning to sell it in the near future. A sale will generate significant capital gains for Anna. Anna enjoys giving to charities in Kansas City and around the country, so she plans to donate 10% of her LLC interest to a donor-advised fund at the Greater Kansas City Community Foundation prior to the sale. The gift will generate a charitable deduction equal to the appraised fair market value of her 10% LLC interest.* When the Community Foundation sells the interest, the Community Foundation will not pay any capital gains on the sale and the sale proceeds will be available for granting to charities that are important to Anna.
The following chart shows the benefits of donating prior to selling.

	Sell then Donate	Donate then Sell
Long-Term Capital Gains Tax Paid	$166,600 (23.8% x ($700,000 - 0))	**$0**
Charitable Deduction	$533,400 ($700,000 - $166,600)	**$490,000***
Net Cash for Giving	$533,400	**$700,000 (sale proceeds)**

This case study includes the following assumptions:

- *The LLC is valued at and will sell for $10 million.*
- *Anna started the company, so her basis in her 70% LLC interest is $0.*
- *Anna's long-term capital gain rate is 23.8%. (20% plus 3.8% Medicare surtax on net investment income.)*
- *The example does not take into account any state/local taxes, alternative minimum taxes or limitations on itemized deductions that may be applicable to Anna.*

** A 30% discount is applied to Anna's gift for lack of marketability and a minority interest ($7 million x 10% x 70% = $490,000).*

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