

# Donating Complex Assets

## to the Jewish Community Foundation of Los Angeles

The Foundation will gladly consider donations of complex assets, which often make highly tax-effective charitable gifts but may take months of planning. If you're interested in donating complex assets, please contact us. We would be happy to learn about your situation and discuss how to best meet your needs.

### What are complex assets?

"Complex assets" refers to assets other than cash or publicly-traded securities. When these types of assets are transferred to a Donor Advised Fund at The Foundation, they can be sold without incurring capital gains taxes and you are eligible to receive an immediate tax deduction for their full value. The proceeds may be distributed as grants to charities you recommend on your timeline—an arrangement that benefits you as well as the worthy causes you care about.

### What types of complex assets does The Foundation accept?<sup>1</sup>

- Real estate (residential, commercial, and undeveloped land), partial interest in real estate, and promissory notes
- Closely held, restricted, and pre-IPO stock
- Business interests, including partnerships and interests in LLCs
- Royalties and distribution rights
- Select virtual currency
- Insurance

### What are the benefits of giving complex assets?

When complex assets are transferred to a Donor Advised Fund before they are sold, the donor generally does not incur capital gains taxes. And because The Foundation is a public charity, you will receive the maximum tax deduction allowed by law for your donation.<sup>2</sup> As complex assets are often the most highly appreciated assets, they usually result in the most significant gifts.

From an estate planning perspective, donating complex assets can simplify your estate and reduce or eliminate estate taxes.

<sup>1</sup> This list is not intended to be all-inclusive of acceptable complex assets. The Foundation may not accept any gift not deemed to be in its best interest.

<sup>2</sup> You may be able to take a charitable deduction of the fair market value of the contribution in the year of the gift, up to 30% of your adjusted gross income. If the amount is greater than what can be used in one year, the excess deduction can be carried forward for up to five years. With donations to a private foundation, the charitable deduction is generally limited to cost basis up to 20% of adjusted gross income.

## What is the process of donating complex assets?

- 1. Contact Us** – One of our experts will explain the different options available to you.
- 2. Consult with legal and tax advisors before making a decision** – The Foundation does not provide legal or tax advice. Consult with your legal and tax advisors to properly determine the tax and other consequences of making a charitable gift to The Foundation.
- 3. Due Diligence** – Depending on the type of asset, we will need certain information and documentation to determine whether The Foundation can accept the proposed donation. This may include a description of the asset, financial statements, entity agreements, or other documents, depending on the complexity of the gift.
- 4. Qualified Appraisal** – You will be responsible for obtaining a qualified appraisal of the asset as required by the IRS regulations to establish the value of the gift for federal income tax purposes.
- 5. Transfer Ownership & Tax Deduction** – Once ownership of the asset is transferred to The Foundation, you will receive a tax substantiation letter with your donation details. In most cases, you can claim a tax deduction based on the asset's fair market value according to IRS regulations.
- 6. Liquidation** – In most cases, we work to liquidate the asset at our earliest opportunity.
- 7. Recommend Grants to Charities** – After the asset has been liquidated, you'll be able to use your Donor Advised Fund to recommend grants to causes you care about, often for years to come from your single contribution.

To ensure we can accept your gift and allow sufficient time for the due diligence process (including gathering and reviewing applicable documents), please reach out at least several weeks before the anticipated date of the gift. All transfers are irrevocable once transfer documents are signed.

## Why is The Foundation the best partner for your complex assets donation?

For the past six decades, The Foundation has built an outstanding reputation in the community for collaborating with donors on solutions that meet their needs and make a meaningful impact. We have expertise in planning and facilitating illiquid charitable contributions that can help to streamline the transfer process.

When you have a fund at The Foundation, we provide specialized donor services that can help you or your clients:

- Define your philanthropic goals
- Assess your full range of giving options
- Optimize your savings on capital gains, estate, and income taxes
- Build a charitable family legacy
- Connect with like-minded donors
- Stay informed about the latest in philanthropy through donor-only educational events
- Be a part of our institutional grantmaking in the community