



Ways of Giving

To THE NATIONAL OUTDOOR LEADERSHIP SCHOOL

Gifts of Closely Held Stock

Though not a fit for everybody, gifts of closely held stock (stock in a privately owned company) can be a great way to merge personal financial goals with a generous charitable gift to NOLS.

TRANSFER ASSETS AND SAVE TAXES

If you contribute closely held stock to NOLS, you receive a current income tax deduction, up to 30 percent of your income. If the donation exceeds your deduction limit, the Internal Revenue Service allows you to carry over the excess for up to five years. Your family corporation can then redeem the shares at fair market value and the family retains 100 percent control of the business.

With a gift of closely held stock, you can:

- Protect up to one-third of your income from current income tax,
- Transfer assets to heirs with reduced gift and estate taxes,
- Reduce accumulated earnings, and
- Make a magnificent donation to NOLS in support of wilderness and leadership education.

While the rules don't allow the donor to tell NOLS how to manage the gift, it is generally in the school's best interest to sell closely held stock back to the family corporation because such stock rarely pays dividends. When the corporation redeems the stock, it reduces corporate accumulated earnings and the possibility of a penalty accumulated earnings tax on amounts over \$250,000.

ILLUSTRATION 1

Mr. and Mrs. Scott own all 500 shares of the stock in their family business. They make a gift of 10 shares worth \$100,000 to NOLS and receive a \$100,000 income tax charitable deduction. Since they are in a 35 percent tax bracket, they save \$35,000 in federal income tax—essentially increasing their spendable income by \$35,000.

Because the stock pays no dividend, NOLS sells the stock back to the corporation at its fair market value. The repurchase is made from corporate accumulated earnings, thereby reducing or eliminating the possibility of a federal tax on accumulated earnings.

ILLUSTRATION 2

Mr. and Mrs. Wilson own a family corporation and wish to establish an endowed NOLS scholarship in their family's name. At the same time, they would like to increase their daughter's ownership stake in the family business while minimizing gift and estate taxes.

By taking advantage of the annual gift tax exclusion and the unified tax credit, the Wilsons have already transferred 200 of their company's total 500 shares to their daughter free of tax. But over the years the stock has increased in value and the remaining 300 shares are likely to trigger a heavy estate tax.

To alleviate this problem, the Wilsons donate 100 shares of their family stock to NOLS. The corporation then redeems the shares, absorbing them into the corporation as treasury stock. This leaves 400 outstanding shares—200 shares for the Wilsons and 200 for their daughter. The daughter's share in the business increases to 50% without incurring gift or estate tax.

In both of these illustrations, the families have the personal satisfaction of making wonderful gifts to NOLS while saving gift and estate taxes.

COMPLETING A GIFT OF CLOSELY HELD STOCK

The Internal Revenue Service requires an appraisal for gifts of closely held stock exceeding \$10,000. Gifts less than that amount may be valued by a qualified independent appraiser or at the per-share cash purchase price of the most recent bona fide transaction involving the same stock.

Please contact the NOLS development office if you are considering a gift of closely held stock. We would be happy to provide more information about the tax advantages and the mechanics of the gift itself.

CONTACT NOLS FOR MORE INFORMATION

None of us donates to NOLS simply to save taxes. Each of us gives for our own personal reasons: a belief in NOLS' mission, a desire to preserve wilderness, a commitment to creating opportunities for wilderness and leadership education, or maybe a compelling interest in the school's past and future achievements. Regardless, most individuals want to stretch their assets to do the most good for the most people.

Donating appreciated property is one way that NOLS supporters pursue both personal and philanthropic objectives. We would welcome the opportunity to talk with you and your advisors about these and other tax-smart ways to realize your goals.



NOLS Alumni & Development

284 Lincoln Street
Lander, Wyoming 82520-3140
phone: 800.332.4280
email: development@nols.edu
web: giving.nols.edu

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