Ways of Giving
to
The Michigan Historic Preservation Network

The Michigan Historic Preservation Network
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Executive Director: Nancy Finegood

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The Michigan Historic Preservation Network (MHPN) is a 501(c)(3) non-profit organization established in 1981 to serve the citizens of Michigan as they restore, maintain, and continue to use their historic properties. It is able to accept a wide variety of donations in support of its work. As a taxpayer, you may find interesting the following ways of giving, especially because they also apply to gifts you make to your other favorite charities.

<u>Gifts of Cash</u>:

Simplicity and ease of delivery make a gift of cash the most popular type of charitable gift. A gift of cash is considered made on the date it is hand-delivered to the MHPN Office, received by a representative of the MHPN, or post-marked. Due to the charitable deduction, your net cost of a cash contribution will be lower than the face value of the gift. Gifts of cash are deductible up to 50% of your adjusted gross income. Any amount in excess of the 50% deduction ceiling can be carried forward for five consecutive tax years.

<u>Gifts of Appreciated Securities</u>:

If you have marketable securities that have grown substantially in value, the tax laws make it possible for you to make an important gift at low after-tax cost. A gift of appreciated securities generally qualifies not only for the income tax deduction associated with charitable gifts, but also avoids the long-term capital gains tax on your profit. Usually, a sale of appreciated securities results in a tax on your full gain, meaning that you keep only part of the profit. But when appreciated securities are given to the MHPN, there is no tax on your gain, even though your “profit” is counted as part of your charitable deduction. The full fair market value of a gift of long-term capital gains securities is deductible up to 30% of your adjusted gross income. Any amount in excess of the 30% ceiling can be carried forward for five consecutive tax years.

There are three methods of making your stock donation to the MHPN: by hand, by mail, and by electronic wire transfer.

- If you deliver stock by hand to the MHPN, you must sign a separate stock power to indicate your release of the stock. Your signature on the stock power form must be exactly as it is recorded on the stock certificate.

- Or, if delivering stock to the MHPN by mail, send the stock certificates and stock powers in separate envelopes; the stock certificates should be sent by registered or certified mail, return receipt requested. A separate stock power is needed for each individual stock certificate, with each stock power signed exactly as the name reads on the certificate.

- Or, finally, you can make a wire transfer of securities to the MHPN’s account at EdwardJones in Brighton, Michigan: DTC #0057, Account

#330-09611-1-1, Michigan Historic Preservation Network Federal Tax ID #38-2878515. Transfers should indicate they are "For the credit of the account of the Michigan Historic Preservation Network." If your broker has a question, have him or her call the EdwardJones office in Brighton at (810) 225-1362 and ask for William E. Gartley.

Stock that is regularly traded on a stock exchange is valued by using the average between the high and low price on the date of the gift. The date of the gift of stock depends on the method of delivery. If the stock is delivered by hand, the date of its arrival at MHPN headquarters is the date for determining the value. If the stock is mailed, the postmark will determine the date of the gift, assuming that the stock powers are received in due course. If the stock is wire transferred, the date of the gift is the date the stock hits the MHPN's brokerage account. Like many institutions of higher education, the MHPN sells gifts of stock soon after receipt rather than holding onto the stock in an attempt to benefit from market timing.

<u>Gifts of Real Estate</u>:

The tax benefits available for gifts of appreciated real estate are virtually identical to those for gifts of appreciated securities. First, you avoid capital gains tax on your profit. Second, you received an income tax charitable deduction for the full fair market value of the property you contribute. When the MHPN receives a historic property as a gift or bequest, it can sell, transfer, or trade the property to a responsible new owner with compatible interests after attaching a perpetual preservation covenant – an easement - to the deed. As with appreciated securities, the full fair market value of a gift of real estate is deductible up to 30% of your adjusted gross income. Any amount in excess of the 30% ceiling can be carried forward for five consecutive tax years. Appraisals and costs of property transfer are the responsibility of the donor. The MHPN retains the right to refuse acceptance of a piece of real estate, or, with acceptance, the right to keep, sell, transfer, or trade the property.

<u>Gifts of Goods and Services</u>:

In-kind and purchased goods and services are welcome when the goods and services have a "related use" for the MHPN. In-kind goods and services are those you provide through your own work, business, or profession. The value you assign to them must be the same as for any other consumer and be documented for the MHPN on your letterhead or with a receipt that makes clear you are giving them as a donation. Purchased goods and services, on the other hand, are those you buy for the MHPN, their value documented with purchase receipts.

There is a wide definition of what has "related use" for the MHPN. If you are a professional florist offering floral arrangements to the MHPN, or if you are a board member offering your dance band's services, these are not goods or services commonly associated with historic preservation work. However, if you are that same florist or the same board member offering flowers and music specifically for the MHPN's Fall Benefit Evening, they have a "related use" and can be receipted as donations.

Gifts of used goods are also welcome – i.e. old architecture books for the used book sale, a copier that has been replaced in your own office by a new one, a still useable camera or fax machine. The MHPN will acknowledge acceptance of these used goods so that you can place a value on them for tax purposes.

<u>Gifts of Conservation Easements</u>:

If you own an historic property, you can give the MHPN a partial interest - called a preservation or conservation easement – that protects the property in perpetuity and also entitles you to a tax deduction, provided no prior liens or mortgages exist. An easement is a legal agreement that grants a qualified non-profit organization such as the MHPN a partial interest in a property to achieve preservation objectives. The value of your gift is determined by the difference between the appraised value of the property before and after the gift of the easement. At your death, the property is included in your estate based on its fair market value subject to the preservation easement, not at the fair market value of its highest and best use. This can result in a federal estate tax savings. The MHPN can be the holder of the easement. Ask for more information if you are interested.

<u>Gifts of Tangible Personal Property</u>:

A gift of tangible personal property, such as technical preservation books, a collection of glass-mounted architectural slides, a series of Sanborn insurance maps, construction drawings of the Blue Water Bridge, etc., may entitle you to a charitable contribution. The donated property must comply with the standard of "related use" with regard to the designation to and use by the MHPN; the examples provided here, and many others, would comply. A contribution of such tangible personal property entitles you to a charitable deduction for its full fair market value, if it is documented by a legitimate appraisal. The deduction is limited to 30% of your adjusted gross income, but may be carried forward for five consecutive tax years if exceeding that ceiling. Property unrelated to the exempt purposes of the MHPN entitles you to a charitable deduction for your cost basis in the property, subject to a 50% adjusted gross income ceiling and 5-year carry-forward period. Appraisals and costs of tangible personal property transfer are the responsibility of the donor. The MHPN retains the right to refuse acceptance of a piece of property, or, with acceptance, the right to keep, sell, transfer, or trade the property.

Gifts of Remaining Retirement Plan Assets:

Retirement plan assets - those remaining after the participant dies in such individual plans as IRA, Keogh, and 401(k) or 403(b) accounts - can face double taxation if not managed wisely. If you leave these assets to your heirs outright, the amount is diminished not only by estate taxes, but by the income taxes the recipients must pay on what they receive - a total effective marginal tax rate that can exceed as much as 75% in some cases. Undoubtedly, your decision of who receives the remainder of your retirement plan assets depends on your family members' needs and circumstances. But if you can make equivalent provisions for them with other more "beneficiary friendly" assets, it is a better option to direct retirement plan assets to charitable organizations such as the MHPN so that you avoid all income and estate taxes. If you have already provided for your relatives in your estate plan, name your desired charities as the beneficiaries of your retirement assets. Alternatively, you may designate a specific amount to be paid to charity before the division of the remainder among family beneficiaries, or name the charity or charities as beneficiary of all, or part, of the balance remaining after another beneficiary's lifetime. To implement your wishes, advise the retirement plan administrator of your decision and sign the forms specific to the individual plans.

Gifts by Charitable Bequest:

A bequest is the most traditional way to provide significant help for worthwhile causes. With a gift to the MHPN through your Will, you retain full use of your gift property during your life. Described here are several of the most common forms of charitable bequests that you may wish to discuss with your attorney or advisor. (Each is discussed more fully, and accompanied by sample language, in the MHPN guide titled "Making a Charitable Bequest to the MHPN.") As you consider the value of your assets covered by a Will, remember that assets such as your CDs, savings accounts, and share accounts, as well as your individual retirement accounts, pensions, 401(k), and other retirement savings plans, should all be included. Their specific designation to a non-profit organization such as the MHPN can save you estate income taxes and estate taxes.

Specific Bequest -

A specific bequest is probably the most popular type of charitable bequest. With such a bequest, you designate that the MHPN is to receive a specific dollar amount or a particular property such as a certain piece of real estate, the stock from one specific company, a series of historic photographs, a collection of preservation books, etc.

Residuary Bequest -

A residuary bequest is used to give the MHPN all or a percentage of your estate after debts, taxes, expenses, and other bequests have been paid. By making a percentage bequest you assure that inflation will not reduce the value of what you intended for the MHPN because the value of your gift will increase as your estate's value increases.

Contingent Bequest -

As the name implies, this bequest is "contingent" on some event. In anticipation of an unexpected occurrence, or if there should be certain other specific conditions that apply, a contingent bequest will ensure that your estate passes to the MHPN rather than to unintended beneficiaries. For example, you might make a primary bequest for a relative with the contingency that if that relative is not living at the time of your death, the bequest will pass to the MHPN.

Restricted Bequest -

As many people do, you may prefer to restrict your bequest to the MHPN for a specific purpose. For example, if you wish to memorialize an honored colleague or family member, you can establish a named endowed fund that will provide perpetual support for a program, activity, or service in which you (or the person to be honored or memorialized) were particularly interested. A restricted bequest usually should be made in the broadest possible terms consistent with your interests. This will guard against the possibility of your gift's purpose becoming obsolete.

<u>Gifts of New or Existing Whole-Life Insurance Policies</u>:

Life insurance can play an important role in charitable giving. The MHPN should be named as sole beneficiary and owner of the life insurance policy. Your annual gift to the MHPN for the premium payment will qualify for a charitable deduction in the year your gift for the premium is received. Paid-up existing life insurance policies are also immediately eligible for a charitable tax deduction on the computed current value of the policy in the tax year the MHPN is named owner and beneficiary.

<u>Gifts through Trusts</u>:

Establishment of a personal trust may be the answer if you wish to benefit your family, reduce estate taxes and probate costs, and remember the MHPN and your other charities in your estate plans. Trusts are remarkably versatile and can enhance your comprehensive estate plan. Your Will or a separate legal document is needed to establish a trust in which you are referred to as the grantor or donor. A trustee chosen by you manages the trust assets, called the principal, and pays an income to those you want to support, your beneficiaries. A revocable living trust agreement allows you to amend or cancel the trust at any time; it provides for significant estate tax savings. If you put your trust arrangements in your Will, however, you may want them to be irrevocable to make sure your wishes are carried out; giving up the power to make changes generally allows you to claim a charitable deduction on your federal tax return. You can set up a trust for anyone and for just about any purpose. The following are the most common trust arrangements.

Living Trust –

When you make yourself the initial beneficiary of your Living Trust, you receive the income from the trust assets. You have the right to set the investment objectives, add or withdraw principal, or change the terms and beneficiaries of the plan. The beneficiaries you name to receive the trust remainder after your lifetime – such as your spouse, children, other individual, and the MHPN – receive an outright distribution, or the assets can continue in trust. Because none of the living trust assets are included in your probate estate, probate costs and delays are reduced.

Testamentary Trust –

You can create a Testamentary Trust in your Will for the benefit of others. In a typical trust, a husband and wife set up a trust in their Wills for the surviving spouse's benefit. Each directs that after his or her death, the trust shall continue for the support of their children until they attain a certain age, say 25 or 30. Then, per the terms of the trust, the trustee may distribute the principal to the MHPN and others.

<u>Gifts through Life Income Agreements</u>:

Life income gifts allow you to retain the full value and benefit of your assets now while providing a generous future gift to the MHPN. There are several gift plans, but each shares some attractive benefits. They pay income to you or to others you designate. You receive an immediate income tax deduction, a well as potential reductions or elimination of gift, estate, and capital gains taxes. You avoid or reduce capital gains tax if appreciated property is used to fund the agreement. And you can designate how the remainder of the gift will be used.

Charitable Remainder Trust –

A Charitable Remainder Trust, which can be created during your lifetime or through your estate plans, provides you or those you select with an annual income. The trust can be established for one or more lifetimes or for a term of up to twenty years. Donors choose a Charitable Remainder Annuity Trust (CRAT) to receive a fixed annual income, or, a standard Charitable Remainder Unitrust (CRUT) to receive market-sensitive income that varies annually based on the value of the assets in the trust. Unlike the Unitrust, the Annuity Trust does not allow for additional contributions after the initial transfer is made.

Charitable Lead Trust –

The Charitable Lead Trust is a way to pass property to heirs and pay less tax. It is the reverse of the Charitable Remainder Trust in that it provides a gift of an interest-generated income stream from the assets in the Lead Trust to the MHPN for a term of years. After that time, the assets in the trust either revert to the donor or pass to beneficiaries designated by the donor at greatly reduced gift and estate tax rates. Of all the gifting vehicles described in this document, the Lead Trust is one of the most complex and must be carefully designed with the help of legal or tax professionals.

<u>Gifts of Retained Life Estates</u>:

Though many people do not realize this, you may deed the MHPN your home, condominium, farm, or vacation property now and continue to enjoy its use. You continue normal upkeep and paying the property taxes and insurance. You live in your home for your lifetime, assure your surviving spouse enjoys life occupancy, or retain the right to improve your home or rent it out to provide a stream of income. A gift to the MHPN of your property, even with stipulations about occupancy, results in a charitable income tax deduction. But consider estate tax savings as well: when you leave your home to the MHPN, the property is removed from your taxable estate and, therefore, not subject to federal estate taxes.

<u>Designation and Receipting of Your Gift</u>:

The Michigan Historic Preservation Network welcomes the opportunity to help you decide how your current or future gift will be used. Your gift may be designated for a specific purpose, or given to the MHPN to be used to respond to its greatest opportunities or meet its greatest needs. You may also indicate if you would like your gift available for current expenditure, or held as an endowment whereby the interest earned is used as you designate while the principal remains untouched and can grown in perpetuity. Please refer to the MHPN's document titled "Giving Opportunities for the Michigan Historic Preservation Network" while considering your choices.

Every gift you make is receipted by the MHPN for tax purposes, the receipt making clear that the MHPN is a 501 (c) (3) organization that provided you no goods or services in return for your donation.

In Closing...

To discuss any of the gift options described in this document, contact the MHPN office: The Michigan Historic Preservation Network, 313 East Grand River Avenue, Lansing, MI 48906, (517) 371-8080 or FAX (517) 371-9090 or info@mhpn.org. You may also contact the MHPN's volunteer development coordinator, Janet Kreger, former Director of Major, Planned, and Special Gifts at Michigan State University, at her Ann Arbor office (734) 222-9310. Should you wish to communicate first in writing, please e-mail: kregerj1981@att.net.

This material is intended to show only some ways you can benefit the MHPN's programs and minimize your federal tax liability. You should always consult your advisors on tax-related matters affecting your specific situation. We welcome the opportunity to supply you with additional information about any of these methods of giving and to discuss with you and your advisers how you might make a gift.

Checks and other monetary instruments should be made payable to the
Michigan Historic Preservation Network and mailed to the address noted above.
All gifts and pledges are acknowledged for your records. No goods or services are provided in return. For your convenience, a reminder will be sent on the annual date indicated for a pledge.
All gifts to the Network are tax-deductible to the extent provided by law.

Thank you very much.