Contents

Preface			xv			
Book Citations			xxi			
		Part One				
Introduction to the Tax Law of Charitable Giving						
1	Charit	able Giving Law: Basic Concepts	3			
	§1.1	Introduction to the Charitable Contribution Deduction 3				
	§1.2	Defining Tax-Exempt Organizations 5				
	§1.3	Principles of Charitable Organizations Law Philosophy 8				
	§1.4	Statistical Profile of Charitable Sector 23				
	§1.5	Categories of Tax-Exempt Organizations 28				
2	The U	nited States Tax System: An Overview	31			
	§2.1	Concept of Income 33				
	§2.2	Gross Income 34				
	§2.3	Exclusions from Income 35				
	§2.4	Concept of Adjusted Gross Income 36				
	§2.5	Deductions 37				
	§2.6	Standard Deduction 39				
	§2.7	Concept of Taxable Income 39				
	§2.8	Taxable and Nontaxable Entities 41				
	§2.9	Annual Accounting Period 42				
	§2.10	Accounting Methods 43				
	§2.11	Timing 43				
	§2.12	Property 44				
	§2.13	Inventory 46				
	§2.14	Gain 47				
	§2.15	Taxation of Income 53				
	§2.16	Capital Assets, Gains, and Losses 58				
	§2.17	Carryovers and Carrybacks 60				
	§2.18	Alternative Minimum Tax 61				
	§2.19	Depreciation 64				
	§2.20	Capital Gains and Losses Rates 65				
		Taxation of Corporate Distributions 65				
	-		56			
	§2.23	Tax Credits 66				

■ vii ■

- §2.24 Foreign Tax Credits 67
- §2.25 Federal Tax Law Definition of Marriage 67

PART Two **Basics of Charitable Giving Law**

3 Fundamental Concepts

- Meaning of *Gift* 71 §3.1
- Meaning of Donor 117 §3.2
- §3.3 Meaning of Charitable Organization 119
- Public Charities and Private Foundations §3.4 131
- §3.5 Unrelated Business Rules 146
- §3.6 Factors Affecting Income Tax Deductibility of Charitable Gifts 153
- §3.7 Charitable Organizations Listing Reliance Rules 155
- Grantor Trust Rules 157 §3.8

4 Gifts of Money and Property

- §4.1 Gifts of Money 161
- §4.2 Gifts of Property in General 162
- Gifts of Long-Term Capital Gain Property in General 164 §4.3
- §4.4 Gifts of Ordinary Income Property 165
- §4.5 Certain Gifts of Capital Gain Property 170
- Gifts of Property for Unrelated Use 173 §4.6
- §4.7 Variations in Applying Property Rules 177
- §4.8 Step Transaction Doctrine 178
- §4.9 Charitable Pledges 184

5 Fundamentals of Planned Giving

- §5.1 Introduction 188
- Appreciated Property Gifts 188 §5.2
- Planned Gifts: Core Concepts §5.3 189
- Charitable Remainder Trusts 191 §5.4
- §5.5 Pooled Income Funds 199
- §5.6 Charitable Gift Annuities 207
- §5.7 Charitable Lead Trusts 208
- §5.8 Planned Giving: Other Forms 211
- §5.9 Planned Giving and Securities Laws 212

PART THREE **Charitable Giving in General**

6 Timing of Charitable Deductions

- Gifts of Money in General 219 §6.1
- §6.2 Gifts of Money by Check 219
- Gifts of Money by Credit Card 222 §6.3

viii ∎

217

161

187

71

- §6.4 Gifts of Money by Telephone 222
- §6.5 Gifts of Securities 223
- §6.6 Gifts of Copyright Interest 226
- §6.7 Gifts by Means of Notes 226
- §6.8 Gifts by Letters of Credit 227
- §6.9 Gifts of Property Subject to Option 227
- §6.10 Gifts of Stock Options 228
- §6.11 Gifts of Credit Card Rebates 230
- §6.12 Gifts of Tangible Personal Property 231
- §6.13 Gifts of Real Property 231
- §6.14 Gifts by C Corporations 232
- §6.15 Gifts by S Corporations 233
- §6.16 Gifts by Partnerships 234
- §6.17 Gifts by Means of Internet 237

7 Percentage Limitations

- §7.1 Introduction 240
- §7.2 Individual's Contribution Base 243
- §7.3 Corporation's Taxable Income 243
- §7.4 Percentage Limitations: An Overview 243
- §7.5 Fifty Percent Limitation 246
- §7.6 Thirty Percent Limitation for Gifts of Certain Property 253
- §7.7 Electable 50 Percent Limitation 257
- §7.8 General 30 Percent Limitation 263
- §7.9 Interplay of 50 Percent/Special 30 Percent Limitations 265
- §7.10 Interplay of 50 Percent/General 30 Percent Limitations 266
- §7.11 Interplay of Special 30 Percent/General 30 Percent Limitations 268
- §7.12 Twenty Percent Limitation 268
- §7.13 Gifts for the Use of Charity 270
- §7.14 Blending Percentage Limitations 270
- §7.15 Individuals' Net Operating Loss Carryovers and Carrybacks 271
- §7.16 Rules for Spouses 275
- §7.17 Information Requirements 279
- §7.18 Percentage Limitation for Corporations 280
- §7.19 Corporations' Net Operating Loss Carryovers and Carrybacks 283

8 Estate and Gift Tax Considerations

- §8.1 Introduction 287
- §8.2 Federal Gift Tax 289
- §8.3 Federal Estate Tax 301
- §8.4 Unification of Taxes 315
- §8.5 Generation-Skipping Transfer Tax 316
- §8.6 Remainder Interests 319
- §8.7 Ascertainability 329

∎ ix ∎

239

9

Special Gift Situations 333 §9.1 Works of Art 334 §9.2 Gems 338 §9.3 Inventory 340 \$9.4 Scientific Research Property 352 §9.5 Computer Technology or Equipment 353 §9.6 License to Use Patent 355 §9.7 Conservation Property 357 §9.8 S Corporation Stock 380 §9.9 Section 306 Stock 389 §9.10 Retirement Plan Accounts 391 §9.11 Commodity Futures Contracts 401 §9.12 Donors' Creations 403 §9.13 Charity Auctions 404 §9.14 Services 411 §9.15 Unreimbursed Expenses 412 §9.16 Limitation on Deduction for Expenses Due to Pleasure 418 §9.17 Automobile Expenses 422 §9.18 Use of Property 422 §9.19 Bargain Sales 423 §9.20 Property Subject to Debt 429 §9.21 Future Interests in Tangible Personal Property 433 §9.22 Contributions by Trusts 436 §9.23 Partial Interests 444 §9.24 Taxidermy 447 §9.25 Clothing and Household Items 448 §9.26 Charitable Family Limited Partnerships 448 §9.27 Motor and Other Vehicles 450 §9.28 Intellectual Property 457 §9.29 Foreign Tax Credit 462 §9.30 Subsistence Whaling Expenses 462 §9.31 Public Policy Considerations 463 10 Other Aspects of Deductible Giving §10.1 Valuation of Property 472 §10.2 Contributions by Means of an Agent 496 §10.3 Gifts for the Use of Charity 497 §10.4 Conditional Gifts 499 §10.5 Earmarking of Gifts for Individuals 505

- §10.6 Alternative Minimum Tax Considerations 508
- §10.7 Interrelationship with Business Expense Deduction 509
- §10.8 Denial of Deduction for Lobbying Activities 510
- §10.9 Deductible Gifts to Noncharitable Organizations 511
- §10.10 Reallocation of Deductions 516

471

§10.11 Charitable Giving and Funding of Terrorism 517

§10.12 Statute of Limitations 518

§10.13 Concept of Trust Income 518

§10.14 Penalties 521

§10.15 Transactions of Interest 532

PART FOUR Planned Giving

11	Valuat	ion of Partial Interests	541
	§11.1	Overview of Statutory Law 541	
	§11.2	Standard Actuarial Factors 542	
	§11.3	General Actuarial Valuations 544	
	§11.4	Nonstandard Actuarial Factors 547	
12	Charita	able Remainder Trusts	551
	§12.1	Definitions 552	
	§12.2	Charitable Remainder Annuity Trust Rules 566	
	§12.3	Charitable Remainder Unitrust Rules 580	
	§12.4	Issues 598	
	§12.5	Tax Treatment of Distributions 615	
	§12.6	Division of Charitable Remainder Trusts 627	
	§12.7	Early Terminations of Charitable Remainder Trusts 631	
	§12.8	Taxation of Charitable Remainder Trusts 633	
	§12.9	Mandatory Provisions 636	
	§12.10	Private Foundation Rules 637	
	§12.11	Wealth Replacement Trusts 639	
	§12.12	Calculation of Charitable Deduction 646	
13	Pooled	I Income Funds	653
	§13.1	Definitions 654	
	§13.2	Qualifying Pooled Income Funds 655	
	§13.3	Allocation of Income 661	
	§13.4	Recognition of Gain or Loss on Transfers 665	
	§13.5	Mandatory Provisions 666	
	§13.6	Private Foundation Rules 667	
	§13.7	Pass-Through of Depreciation 668	
	§13.8	Tax Status of Fund and Beneficiaries 669	
	§13.9	Multiorganization Pooled Income Funds 670	
	§13.10	Comparison with Charitable Remainder Trusts 674	
	§13.11	Charitable Contribution Deduction 675	
14	Charita	able Gift Annuities	677
	§14.1	Contract as Vehicle Form 677	

§14.2 Tax Treatment to Donor 678

	8143	Deferred Payment Gift Annuities 679	
		Estate and Gift Tax Consequences 681	
		Unrelated Business Income Implications 681	
		Unrelated Debt-Financed Income Implications 682	
		-	
	C	Contrast with Other Planned Gift Methods 683	
	•	Gift Annuities and Antitrust Laws 684	
	•	Gift Annuities and Securities Laws 685	
	§14.10	Charitable Contribution Deduction 685	
15	Other	Gifts of Remainder Interests	687
		Overview 687	
	U	Contributions of Remainder Interests in Personal	
	3 10.2	Residence or Farm 688	
	8153	Undivided Portions of Entire Interests in Property 691	
	§ 15.5	Charvided Fortions of Entire Interests in Froperty 091	
16	Charit	able Lead Trusts	701
	§16.1	General Rules 701	
	§16.2	Income Interest 702	
	§16.3	Income Tax Charitable Deduction 704	
	§16.4	Tax Treatment of Charitable Lead Trusts 705	
	§16.5	Testamentary Use of Charitable Lead Trusts 707	
	§16.6	Percentage Limitation Rules 708	
		Private Foundation Rules 709	
	•	Anti-Abuse Rule Concerning Income Interests 710	
		Charitable Income Trusts 713	
	•	Comparison with Charitable Remainder Trusts 713	
		Valuing Charitable Deduction 714	
	0	0	
17		of and Using Life Insurance	715
	0	Introduction 715	
		Life Insurance Concepts 716	
		Charitable Giving and Insurance 719	
	$\S17.4$	Insurable Interest 724	
	§17.5	Unrelated Debt-Financed Income Considerations 727	
	§17.6	Charitable Split-Dollar Insurance Plans 728	
	§17.7	Applicable Insurance Contract Reporting Requirements 735	
		Dura Fra	
		PART FIVE International Charitable Giving	
		International Ghantable Giving	
18	Interna	ational Giving by Individuals During Lifetime	739
	§18.1	Introduction 739	
	§18.2	Background 740	
	-	Earmarking and Conduit Restrictions 743	
	§18.4	0	
	0	0	

■ xii ■

	-	Summary 749 Income Tax Treaties 750	
19		ational Giving by Individuals through Estates	753
	•	Introduction 753	
	U	Estate Tax Rules 754	
	•	Gift Tax Rules 760	
	§19.4	Charitable Giving by Noncitizen Nonresidents 760	
20	Intern	ational Giving by Corporations	763
	§20.1	Corporate Gifts to U.S. Charity for Overseas Use 763	
	§20.2	Gifts of Money from Foreign Affiliate of U.S. Parent to	
		Overseas Charity 764	
		Gift of Goods or Services to Benefit Foreign Charity 765	
	§20.4	Grants of Funds from U.S. Corporation–Related Foundation to Foreign Charity 766	
		Dian Sir	
		PART SIX Administration of Charitable Giving Programs	
~			
21		antiation and Appraisal Requirements Introduction 779	779
	U	Substantiation Requirements for Gifts of Money 780	
		Substantiation Requirements for Gifts of \$250 or More 782	
		Substantiation Requirements for Noncash Gifts 792	
	§21.5	Appraisal Requirements 795	
	-	Appraisals and Penalties 805	
	-	Appraisals of Clothing and Household Items 807	
	§21.8	Burden of Proof Rules 807	
22	Disclo	sure Requirements	809
		Disclosure by Charitable Organizations in General 809	
	•	<i>Quid Pro Quo</i> Contribution Rules 814	
	§22.3	Disclosure by Noncharitable Organizations 818	
23		al Events, Corporate Sponsorships, and Donor-Advised Funds	823
	§23.1	IRS Audit Guidelines 824	
	-	Special Events 828	
	-	Corporate Sponsorship Rules 830	
	§23.4	Donor-Advised Funds 833	
24	-	ting Requirements	841
	§24.1	Gift Reporting by Individuals 841	
		Gift Reporting by C Corporations 842	
		Gift Reporting by S Corporations 842	
	§24.4	Gift Reporting by Partnerships 842	

■ xiii ■

 §24.5 Gift Reporting by Donees in General 843 §24.6 Gift Reporting in Unrelated Business Context 848 §24.7 Reporting of Noncash Gifts in General 851 §24.8 Reporting of Gifts of Vehicles 868 §24.9 Reporting of Gifts of Intellectual Property 870 §24.10 Reporting on Dispositions of Contributed Property 871 §24.11 Personal Benefit Contract Reporting Requirements 874 §24.12 Split-Interest Trust Filing Requirements 875 25 State Fundraising Regulation §25.1 State Regulation in General 877 §25.2 Historical Perspective 878 §25.3 States' Police Power 880 §25.4 Basic Definitions 881 §25.5 Registration Requirements 882 §25.6 Reporting Regulation 883 §25.8 Fundraising Cost Limitations 884 §25.9 Prohibited Acts 885 §25.11 Disclosure Requirements 887 	877		
About the Author	889		
About the Online Resources			
Index			