Using Your Business to Fund Charity

Helping entrepreneurs multiply their charitable impact by giving non-cash assets

Many business owners have a heart to give charitably but feel hindered by their limited cash flow and the growing taxation of their businesses. At the National Christian Foundation (NCF), we have an innovative solution that allows you to donate a partial interest in your business to us and then receive a substantial tax deduction while the business continues to operate and generate value.

Portion of business gifted to NCF

Qualifies for an income tax deduction

NCF

Use income to recommend grants to your favorite charities

THE BENEFITS OF GIVING MORE WISELY

- Unlock more dollars for charity now, without waiting for a liquidation event

- Maximize available income tax deductions using non-cash assets (up to 30% of AGI)

- Reduce current-year income taxes, providing increased cash flow

- Avoid or reduce capital gains on the gifted portion if and when the business is sold

- Reduce estate taxes, since a portion of the business is owned by NCF (not your estate)

- Create innovative redemption opportunities (2nd generation, 3rd party, key employee, etc.)

THE RESULTS OF GIVING NON-CASH

This table shows the impact of giving a 3% non-voting interest in a $10M family business (S-corp), with $1M of K-1 income.

	Before	After*
Giving	$30,000	$330,000
Lifestyle	$200,000	$200,000
Taxes	$407,400	$281,400
Net cash flow for giving, saving or investing	$362,600	$488,600

* The "After" column sums $1.3M because the $300,000 charitable gift came from the company value, not out of earnings. It represents just the first year, but the gift could be repeated annually for more giving.

Assumed tax rate: 37% federal + 5% state

Learn more or get started today

Visit us at ncfgiving.com/heartland or call us at 866.580.4483

CALCULATING THE GIFT

Use this simple calculator to estimate the percent of your company to gift to NCF

(A) Annual income: $ _____

(B) Annual income (A) x 30% = $ _____
(to maximize the 30% of AGI deduction for non-cash assets)

(C) Asset's value: $ _____ (estimate of what company or asset is currently worth)

(D) Percentage of company to gift: _____ % = 30% of income (B) divided by asset's value (C)
(example: $300,000 divided by $10 million equals 3%)

A CLOSER LOOK AT THE TABLE ON PAGE 1

The table below is a duplicate of the one on the first page of this document, along with various assumptions and explanations of the gift of S-Corp stock in the family business to provide more context.

	Before	After
Giving • Before: You give $30,000 in cash • After: You continue to give $30,000 in cash, but you also give $300,000 more from a non-cash asset	$30,000	$330,000
Lifestyle • Before and after: You retain the identical amount for your personal lifestyle in both scenarios.	$200,000	$200,000
Taxes • Before: $1M income - $30k charitable deduction = taxable income of $970k. $970k x 42% tax (37% federal + 5% state) = $407,400 tax liability. • After: $1M income - $330k charitable deduction = taxable income of $670k. $670k x 42% tax (37% federal + 5% state) = $281,400 tax liability, freeing up $126,000 in additional cash flow.	$407,400	$281,400
Net cash flow for giving, saving, or investing • Before: $1m income - $30k cash giving - $200k lifestyle - $407,400 taxes = $362,600 left for savings and investing. • After: $1m income - $30k cash giving - $200k lifestyle - $281,400 taxes = $488,600 left for savings and investing. • Your personal cash flow actually goes up the first year due to the $126,000 in tax savings (additional $300k in giving at 42% tax savings), increasing cash flow for more giving, saving, or investing (assumes full deduction can be taken against ordinary income).	$362,600	$488,600

The tables shown are for illustration purposes only and include assumptions on tax rates, business types, and structure which may or may not apply to you, so there is no assurance that the savings depicted can or will be achieved. Consult with your attorney, financial advisor, and/or tax advisor to analyze your particular situation before proceeding.

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