

CARSON GROVER

***Advanced Charitable
Tax Planning:
Federal Tax Framework, Practical
Applications & Case Studies**





INNOVATION ADVISORY GROUP

Advanced Charitable Tax Planning

Federal Tax Framework, Practical Applications & Case Studies

DISCLAIMER: Educational purposes only - not legal or tax advice.



Disclaimer

- Educational presentation only
- Not legal or tax advice
- Tax outcomes vary based on individual facts and circumstances
- Independent CPA/legal review recommended
- IRS guidance and case law may evolve over time

Source notes for presentation development: IRC Section 170; IRC Section 7701(o); IRS Publications 526 and 1771; Skripak v. Commissioner, 84 T.C. 285 (1985); Anselmo v. Commissioner, 80 T.C. 872 (1983), aff'd, 757 F.2d 1208 (11th Cir. 1985)

Learning OBJECTIVES

1

Identify key federal tax concepts related to charitable contribution planning

2

Understand IRC Section 170 and fair market value principles

3

Evaluate practical implementation considerations

4

Recognize valuation and substantiation requirements

5

Apply planning concepts to real-world scenarios



Death, Taxes, & Congress

The only guarantee in life...



Ways NOT to Pay Taxes



Ways NOT to Pay Taxes

1 Never make any money



Ways NOT to Pay Taxes

1 Never make any money

2 Never sell anything



Ways NOT to Pay Taxes

1 Never make any money

2 Never sell anything

3 Never buy anything



Ways NOT to Pay Taxes

1 Never make any money

2 Never sell anything

3 Never buy anything

4 Don't die with any assets



Ways NOT to Pay Taxes

1 Never make any money

2 Never sell anything

3 Never buy anything

4 Don't die with any assets

5 And absolutely **DON'T** live in
California



About Our Firm

Focus on proactive advanced tax planning

Collaborative approach between advisors, CPAs, and legal professionals

Educational focus on practical implementation and compliance

Work with multiple planning strategies beyond charitable planning

Elite team of on-staff Licensed EAs, Wealth, and Tax Advisors



Congressional Intent

- Congress uses the tax code to incentivize behavior
- IRC Section 170 creates incentives for charitable giving
- Courts have recognized charitable deductions as legislative incentives/subsidies

Court Reference:

Skripak v. Commissioner, 84 T.C. 285 (1985)



KEY STRATEGY COMPONENTS

1

Partnership Formation & Acquisition

A partnership is formed to acquire the gift cards for medical-devices. These gift cards can later be used, retained, or donated.

2

Bulk Discount Purchase

The partnership purchases the medical devices at a steep volume discount, often near the manufacturer's cost, allowing the manufacturer to generate cash flow, and increase exposure.

3

Fair Market Value Appraisal

The gift cards are donated to qualified 501(c)(3) charities at the appraised fair market value, allowing the charitable deduction to be based on FMV rather than purchase cost.

AGI LIMITATIONS & PLANNING CONSIDERATIONS

50%

Medical & IP Donations

Non-cash contributions are generally limited to 50% of AGI, while equipment donations may be limited to 30%—using gift cards allows for more efficient deduction utilization and added flexibility for both the donor and the charity.

1:5

Favorable Valuation Ratio

Medical equipment purchased at large discount, but donated at the fair market value.

5Yr

Carryforward 5 Years

Unused deductions can be carried forward for up to five years, allowing donors to apply any excess deduction in future tax years until it is fully utilized.



Important Note: This strategy works exceptionally well for ordinary income but generally doesn't provide optimal benefits for capital gains scenarios



IRC Section 170 Framework

**Governs charitable contribution
deductions**

**Deduction generally based on fair
market value**

**Subject to AGI limitations, substantiation,
and appraisal requirements**

**IRS Publications 526 and 1771 address charitable
contribution and acknowledgment rules**



HOW DO YOU DEDUCT GREATER THAN YOUR BASIS?

1

Your deduction is based entirely on the **Fair Market Value (FMV)** at the time of donation, regardless of your original purchase price.

2

If you buy Apple stock for \$100 and donate it when it's worth \$150, you **write off the full \$150**. You are donating the FMV of the stock.

3

For tax purposes, your \$100 cost basis is disregarded—the allowable charitable contribution relies strictly on the \$150 **value at the date of the gift**.

Fair Market Value

- FMV is determined at the date of contribution
- Distressed assets may trade below perceived market value
- Acquisition cost does not automatically determine FMV

Court Reference:

Anselmo v. Commissioner, 80 T.C. 872 (1983),
aff'd, 757 F.2d 1208 (11th Cir. 1985)



PRODUCT OVERVIEW: WHY GIFT CARDS ARE USED

Benefits of Gift Card Donations

- 1. Flexible for Charities:** Gift cards allow charities to redeem medical devices as needed, rather than receiving and storing large quantities of equipment upfront.
- 1. Supports Cash Equivalent Treatment:** Because the gift cards are redeemable for medical devices, the structure is designed to support cash-equivalent treatment, which may allow current-year FMV deduction treatment without a one-year holding period.
- 1. Conservative AGI Limitation:** While cash-equivalent treatment may support a deduction limit of up to 60% of AGI for cash gifts to public charities, the strategy models the deduction more conservatively at 50% of AGI.

TAX RETURN APPLICATION PROCESS

1

Personal Level Investment

Investor participates through LLC structure with proper holding requirements as an individual, not through their business

2

Partnership Vote to Donate

Partnership votes to donate asset to 501(c)(3) Charity.
Donation is completed before 12/31.

3

Receive K-1 and File Taxes

Deduction claimed only through K-1 charitable contribution amount on personal return



Key Points: You do not deduct your capital contribution directly. The tax benefit comes exclusively through the K-1 charitable deduction flow-through

Ideal Client Profile

1

W-2 or Ordinary income greater than \$500,000

2

Large traditional IRAs, 401(k)s, or other pre-tax retirement accounts

3

Client is an Accredited Investor

4

Seeking proactive tax planning



The Problem:

Large Pre-tax Retirement Accounts

- 1 Required Minimum Distributions
- 2 No Step-Up in Basis
- 3 Taxable to heirs
- 4 Taxable to the Estate
- 5 The Ten-Year Rule

The Solution:

ROTH Conversions with Tax Planning

- 1 Convert IRA to ROTH
- 2 Conversion Increase AGI
- 3 Offset 50% of liability with DCD Strategy
- 4 ROTH Grows tax free throughout lifetime
- 5 Income Tax Free to Heirs

The Result..?



The Result..?

**YOU are
LEGENDARY**

Practitioner Case Study - Rebecca Kincaid, Financial Advisor



Challenge

Needed differentiation beyond investment management and a way to open larger planning conversations.



Strategy

Introduced advanced tax planning into wealth management reviews and coordinated with CPAs/specialists.



Result

Meeting weekly with new clients with 1M to 3M in AUM, due to incorporating tax planning.

Educational takeaway Tax efficiency is often one of the largest drivers of long-term client outcomes

W-2 Client

- 50-year-old ER Doctor in Virginia
- Married filing jointly with kids in college
- Planning to retire at 65

NET INCOME: **\$625,000**

ORIGINAL TAX LIABILITY: **\$193,524**

NEW TAX LIABILITY: **- \$78,405**

TOTAL TAX SAVINGS: **\$115,119**

STRATEGY TOTAL COST: **- \$66,781**

CLIENT BENEFIT: **\$48,338**



Client Example



Charitable Gift Pro Forma

Tax Calculations (No Planning)	
Filing Status	Married Filing Jointly -
State	Virginia -
Net Business Income	\$0.00
W-2 Income + Conversion	\$625,000.00
Long Term Capital Gains	\$0.00
Total AGI	\$625,000.00
Federal LTCG Taxes	\$0.00
Federal Ordinary Income Taxes	\$157,844.50
Total Federal Taxes	\$157,844.50
State Income Taxes	\$35,680.00
State LTCG Taxes	\$0.00
Total State Taxes	\$35,680.00
Total Taxes (no planning)	\$193,524.50

1

1:5 Charitable Gifting	
Strategy	1:5 Charitable Gifting Offset
Offset Amount (50% of AGI)	\$312,500.00
Contribution	\$63,125.00
Program Expense	3,656
Required Cash Outlay	\$66,781.25
New Taxable Income	\$312,500.00
LTCG Taxes	\$0.00
Ordinary Income Taxes	\$60,694.00
Total Federal Taxes	\$60,694.00
State Income Taxes* (check for state conformity)	\$17,711.25
State LTCG Taxes	\$0.00
Total State Taxes	\$17,711.25
Total Taxes	\$78,405.25
Net Tax Reduction	\$115,119.25

1 \$625,000 (AGI) and \$193,524.50 tax liability (state and fed)

Results with Only Charitable	
Gross Benefit	\$115,119.25
Total Cash Outlay	-\$66,781.25
Net Cash Flow Increase	\$48,338.00
ROI	72.38%

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2 Purchase \$63,125 in Gift Cards for \$312,500 valuation (50% AGI)

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- \$625,000 (AGI) and \$193,524.50 tax liability (state and fed)
- Purchase \$63,125 in Gift Cards for \$312,500 valuation (50% AGI)
- Receive K-1 for \$312,500 charitable deduction

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1	\$625,000 (AGI) and \$193,524.50 tax liability (state and fed)
2	Purchase \$63,125 in Gift Cards for \$312,500 valuation (50% AGI)
3	Receive K-1 for \$312,500 charitable deduction
4	Generates \$115,119.25 total tax benefit and \$48,338 net benefit
Results with Only Charitable	
	Gross Benefit \$115,119.25
4	Total Cash Outlay -\$66,781.25
	Net Cash Flow Increase \$48,338.00
	ROI 72.38%

Client Example



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- Receive K-1 for \$312,500 charitable deduction
- Generates \$115,119.25 total tax benefit and \$48,338 net benefit
- Typical ROI is between 50% - 75%+ depending on tax rate*

Results with Only Charitable	
Gross Benefit	\$115,119.25
Total Cash Outlay	-\$66,781.25
Net Cash Flow Increase	\$48,338.00
ROI	72.38%

Practitioner Case Study - Bill Tanner, CPA



Challenge

Compliance work becoming commoditized; clients wanted more proactive tax guidance



Strategy

Integrated advanced tax planning discussions into client relationships and coordinated with specialists.



Result

Increased profit by over 350K, stronger client retention, deeper advisory relationships.



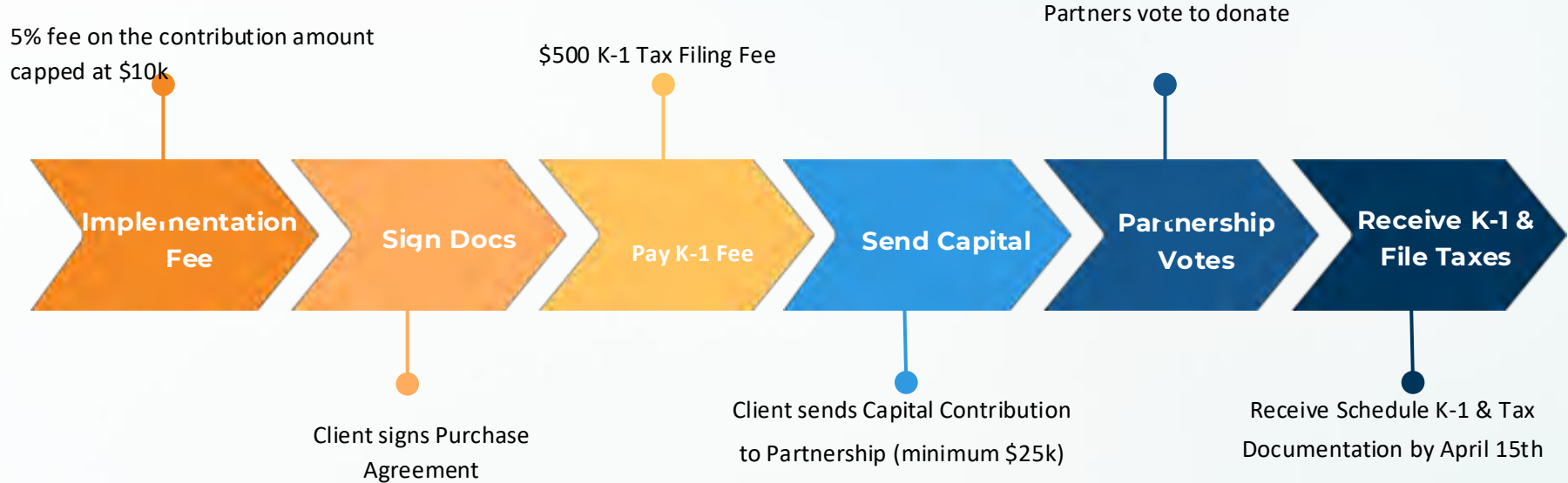
"I'm not the most aggressive CPA, you don't have to be to leverage these strategies."

Educational takeaway Clients increasingly expect proactive planning, not just tax preparation

UNDERSTANDING THE DRAWBACKS & RISKS

CAPITAL GAINS LIMITATION	IRS VALUATION CHALLENGE	NOT ALL STATES RECOGNIZE
Generally not optimal for capital gains unless you're in a state with high capital gains taxes - better suited for ordinary income situations.	Risk that IRS could disagree with appraised donation value and attempt to reduce deduction amount <ul style="list-style-type: none">• Independent third-party appraisal• Full Audit Defense Provided• Professional representation included	Some states do not recognize charitable deductions: <ul style="list-style-type: none">• New Jersey• Indiana• Michigan• Connecticut• Illinois• Ohio• Pennsylvania• Rhode Island• West Virginia

Strategy Cost & Process



Important: Client must be an accredited investor in order to participate (\$200,000 in individual or \$300,000 joint annual income, or \$1,000,000+ in investable assets not including primary residence)

Equipment That Has Been Donated in the Past



Seelife Impact/Xenon

A donation program that provides the next generation, especially those underserved and at-risk communities, high quality eye examinations.

Concussion Assessment Protocol

A donation program that supports access to biomedical concussion assessment tools designed to improve the identification, evaluation, and monitoring of head trauma injuries, especially for individuals and communities with limited access to advanced care.

Luminus Micro

Donations to Luminus Micro support the groundbreaking microendoscope platform which delivers the precision and power of robotic surgery for a low-cost, enables trauma-free diagnostics, and accelerates opportunities for accessible treatment anywhere in the world.

Heat Safety Solutions

Enhance worker safety and health at heat- prone industries by donating heat monitoring sensors that survey real-time temperature and environmental conditions while also monitoring employees compliance of safety regulations.

Economic Substance



&

IRC Section 7701(o) economic substance considerations

Charitable contributions are analyzed differently than profit-driven transactions

Qualified appraisal and substantiation requirements are critical

Contemporaneous written acknowledgment

CPA and legal review recommended

Substantiated by legal opinion



Practitioner Takeaways

1 Tax planning should be proactive

2 Effectively layers well with other strategies

3 Valuation and substantiation are critical

4 Coordination between professionals matters

Questions?



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