

# Diocese of Kansas City-St. Joseph



Parish Toolkit: Securities Donations

March 2020



# Parish Toolkit: Securities Donations

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## Stewardship

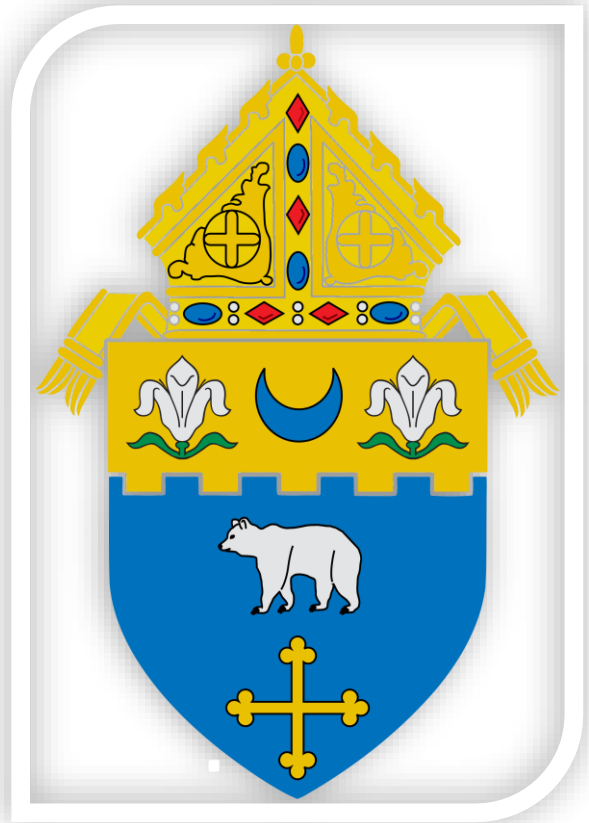
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From the USCCB *Stewardship: A Disciples Response*

### *Appendix II: Section III: Stewardship and Development*

“Development and fund-raising programs sponsored by dioceses, parishes, schools and other church-related organizations should complement effective stewardship programs. No development activity should conflict with stewardship efforts in the diocese or parish. Instead, as a result of careful planning, there will be new opportunities for people to practice good stewardship by participating in the mission and ministries of their church.”

“The basic elements of a parish or diocesan development program are (1) **a spiritually based plan** with a mission statement, specific goals and objectives and priorities for funding; (2) **a communications program** that specifies how the diocese, parish, school or agency will regularly communicate its mission, goals, and funding needs to various internal and external publics; and (3) **a fund-raising program based on stewardship and development principles** that outlines how the diocese, parish, school or agency will identify prospective donors, build strong relationships, and solicit gifts for current programs, capital needs, and endowments. To be successful, each of these three elements must be carefully coordinated with stewardship education efforts and other fund-raising activities (e.g., annual appeals or capital campaigns) at the diocesan and parish levels.”



### Planned Giving

“The term ‘planned giving’ is now commonly used to describe commitments made by donors to transfer capital assets (including cash, stock, certificates of deposit, real estate, or other forms of personal property) to a qualified religious, educational, or charitable organization.... Planned gifts are normally made from the contributor’s accumulated assets as part of an overall estate plan. In addition to the normal benefits of charitable giving, planned gift agreements frequently result in tax advantages or other income benefits to the donor.”

#### Characteristics

The most distinctive characteristics of planned giving are the following:

- Gifts are made from capital assets in contrast to outright gifts that are normally made from the donor’s current assets.
- The donor’s personal and financial objectives are of primary concern in the decision whether to make a planned gift and what form of planned gift agreement to choose.
- Depending on what form of planned gift agreement is chosen, the organization designated as the beneficiary may have to assume administrative and/or fiscal responsibilities (which would not ordinarily be the case in an outright gift).

## Planned Gifts: Securities Donations

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*The donor's personal and financial objectives are of primary concern in the decision whether to make a planned gift and what form of planned gift agreement to choose.*

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### *Stewardship: A Disciples Response: Appendix II: Section III: Stewardship and Development*

A donation of publicly traded stocks or mutual funds to a parish, school or other ministry can be especially rewarding for both the donor and the recipient.

- 1) If owned for more than 12 months, the donor deducts the *fair market value* of the stock/mutual fund, up to 30% of adjusted gross income; and
- 2) Neither the donor nor the charity pays any capital gains or income tax on the transaction.
- 3) Such gifts can normally be larger than cash gifts;

You can use the Sample Securities Donation Bulletin Announcements below to educate parishioners about the benefits of giving appreciated stock. Because many donors are trying to complete pledges by December 31, it is important to begin the education process well before year-end to ensure deductibility for the calendar year.



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### **If the Diocese handles the donation**

When your parishioner contacts Stewardship and Development:

Stewardship e-mails or mails the donor:

- 1) Donating Securities instructions
- 2) A Depository Trust Company (DTC) Transfer Instructions form for donors to send their brokers.

When the distribution check comes to Stewardship and Development from the Diocesan broker:

- 1) Stewardship forwards the check to Finance with instructions identifying the parish, school or ministry to receive the proceeds.
- 2) Stewardship sends the donor a Securities Donation Gift Acknowledgement Letter.
- 3) Stewardship mails the check(s) to the recipients.

### **If the parish handles the donation**

- 1) The parish should request permission from the Diocese Finance Officer as provided in the Finance Policy (below) to handle securities donations.
- 2) Set up a brokerage account for the Parish with a firm that can handle DTC transfers.

E-mail or mail the donor:

- 1) [Transmittal Letter to Donors](#)
- 2) [How to Donate Securities and Mutual Funds Instruction Sheet](#)
- 3) [Securities Donation/DTC Transfer Instructions form](#)

Upon receipt of the proceeds from your broker, mail the donor:

- 1) [Parish Securities Donation Acknowledgement Letter](#)
- 2) Optional thank you letter from the pastor (less formal than the contemporaneous, written acknowledgement required by the IRS)

## **Parishioner statements of contributions**

The proceeds from a charitable stock donation should not be included in the statement of contributions provided by the parish. See [Guidance for Charitable Deductions and Reporting](#) below.

## **Certain Mutual Funds and Stocks**

Your broker can determine whether the shares can be transferred to a gift account for your benefit or to an existing account already set up with certain mutual fund companies or companies that use a direct registration system (DRS) transfer agent to transfer their stock. If your broker does not have such an arrangement, then the parish will have to open an account with the mutual fund company or DRS transfer agent.

### [Gifts of Appreciated Stock or Mutual Funds Example](#)

From the Diocese of Kansas City-St. Joseph

Jane is a member of St. Thomas More parish. She has a special fondness for the church community as she has sent all her children to its school. She received a brochure from the parish encouraging a year-end gift. She wants to help her parish especially this year because of a building drive and capital campaign.

She owns some Google stock that has greatly appreciated since she bought it. She decides to transfer 20 shares of Google to the broker that the Diocese has engaged to handle stock gifts for the benefit of her parish. She pays no capital gains tax (which would have eaten up 15% of the fair market value of the stock), receives a tax deduction for the full current market value of the stock, and has made a much larger gift to the capital campaign than she could have made from her current income.

## Securities Donation Bulletin Announcements

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- As Christian stewards, we share the responsibility of making our Church a true community of faith and a vibrant source of service to the larger community. That includes providing financial support for today's needs -- and building a firm financial foundation for tomorrow. Are some of your shares of stock or mutual funds higher than when you bought them? This provides you a wise method of giving to {PARISH/SCHOOL/MINISTRY}.
- We often express thanks to God by giving to others. To provide sustained, and even increased, support for ministries that change lives, now and for generations, consider your charitable contributions. Remember that gifts made now may generate income tax deductions that will reduce your tax bill. Gifts of appreciated securities may be deductible up to 30% of adjusted gross income, and capital gains tax will not apply. To donate securities, contact parish staff with questions.
- Remember you can pay it forward! You have a wonderful Catholic heritage. Just as we plan to ensure financial health for our families, we must plan for the health of our faith families. Your planned gift to our parish will support our ministries now and for years to come. Stocks and bonds, especially if appreciated in value over the years, can produce significant capital gains taxes. They can also make substantial gifts to {PARISH} and result in a tax saving. Please consider a securities gift during your lifetime or in your will.
- A good steward uses his or her assets in a way that does the most good. Gifts of securities can help you avoid Capital Gains Tax! If you own appreciated stock, you may wish to consider giving the stock to the parish rather than cash. Depending on your tax situation, you may be able to deduct the full value of the stock, avoid the capital gains tax and make a substantial gift to the parish. For more information, contact parish staff with questions.
- A gift of stock, bonds or mutual funds that have appreciated in value may enable you to make a more sizable gift to support the work of our parish. If you have owned the security for more than one year, you avoid capital gains and the IRS allows a deduction for fair market value up to 30% of adjusted gross income.
- Did you know you can designate your parish as beneficiary on your stocks and bank accounts? It costs nothing to change the beneficiary on your accounts and will mean everything to our future parish community. It's called a "transfer on death" designation for stocks, and a "payable on death" designation for financial institution accounts. By naming our parish as beneficiary, you'll provide lasting financial support and possibly qualify for tax benefits as well. To name your parish as a beneficiary, contact parish staff with questions.
- Bequests to the parish, gifts of real estate and life insurance, stocks, bonds and certificates of deposit can help perpetuate your faith commitment. Please remember the ongoing and long-range needs which exist here at (name of parish). For specific areas which could benefit from your gift contact the pastor or parish office.

### [More information](#)

Please consult your financial or legal adviser to determine your specific tax situation and the best time to make your gift. To make a gift to the parish, contact ( \_\_\_\_\_ ) for assistance.

## Newsletter Insert Encouraging Appreciated Securities Donations

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*“At the heart of stewardship in my own reflections and my own search for how it touches my life it has prompted me to ask that questions more than once, ‘What do I own and what owns me?’”*

*--Archbishop Thomas Murphy*

Examining ourselves in the way Archbishop Murphy examined himself can inspire thoughts about all that we have. You may find that you have appreciated securities purchased some time ago at a much lower value that could make a meaningful impact on your parish, a ministry or the Diocese.

### Tax Treatment

Donating publicly traded appreciated stock or mutual fund shares is a strategic gift-planning method. For most people, the after-tax cost is less than a cash gift.

- If held for more than 12 months and you can itemize, the **fair market value** as of the date of the gift is eligible for deduction.
- The donated value may be **deductible up to 30% of your adjusted gross income** and can be carried over for up to five years.
- Capital gains tax will not be assessed.



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The IRS offers guidance to establish the value of your securities donations in Publication 561.

### How to donate appreciated securities

If your parish has a brokerage account, please contact parish staff.

1. How your gift is processed depends upon whether you hold your securities in a brokerage account or have physical possession of the certificates. Contact parish staff, if you need help determining how to proceed.
2. If your securities are held electronically, ask parish staff for a **Securities Donation/DTC Transfer form** to send to your brokerage.

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation.





**Sample Forms**

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## Parish Transmittal Letter to Donors

{DATE}

{ADDRESS BLOCK}

Dear {SALUTATION}:

Thank you for remembering the ministry of {PARISH} with your gift. To help you through the process, we have attached the following documents:

1. How to Donate Securities and Mutual Funds Instruction Sheet
2. Securities Donation/DTC Transfer Instructions form.

Send the DTC Transfer Instructions form to your broker and a copy to {BROKER NAME} at the parish brokerage, {BROKERAGE FIRM NAME}. Contact information for the parish broker is on the form.

Once the parish brokerage receives the shares from your brokerage, they will sell the shares and send a check for the proceeds to the parish. After the proceeds have been received, the parish will send an acknowledgement of your securities gift which complies with IRS guidelines for charitable donations.

Please do not hesitate to call or email us with any questions. You can contact {NAME} at {PHONE} or {EMAIL}.

Thank you for supporting the ministry of your parish.

Sincerely,

{NAME}

{TITLE}

## How to Donate Securities and Mutual Funds Instruction Sheet

Donating appreciated stock or mutual fund shares is a strategic gift-planning method. If the security has been held for more than 12 months, the donor can take a deduction in the amount of the fair market value (FMV) of the shares donated as of the date of the gift. This value is deductible up to 30% of the donor's adjusted gross income and can be carried over for up to five years after the year of the gift.

### **Procedure**

To accomplish a gift of securities or mutual fund shares, contact our office at {PHONE NUMBER} or {EMAIL}.

**If your securities or mutual funds are in "certificate form"** it will be necessary to execute a stock power form which can be provided by your broker or financial adviser or our broker {PARISH BROKER} (see below).

**If your securities or mutual funds are in "street name" or held by a brokerage firm** it will be necessary to wire transfer instructions using our parish brokerage account. The {Parish Name} is designated as:

- {PARISH NAME},
- {BROKER'S} Advisers Account #{PARISH ACCOUNT},
- DTC #{PARISH DTC#}.

Please contact {PARISH BROKER CONTACT PERSON} at {PHONE#}, Fax {#} or [{EMAIL}](#).

In any case, it is necessary to identify the shares to be given; the account number(s) of the Delivering Firm; the parish, ministry or school that is to benefit from the proceeds of the gift. By contacting the numbers listed above, a form for this purpose can be provided to facilitate the orderly collection of this information.

### **Note:**

When executing a gift of securities or mutual funds, it is necessary to notify:

- (1) Your broker or financial adviser
- (2) The parish broker listed above
- (3) The {PARISH}, {CITY, MO}

*For additional information:*

Contact {PARISH CONTACT}, {PHONE#}, ext. {#} or [{EMAIL}](#).

## Securities Donation DTC Transfer Instructions

(For the Donor to send to their brokerage firm)

Please gift the following:

Shares: \_\_\_\_\_

Security: \_\_\_\_\_

To {PARISH NAME}

Tax ID #{XX-XXXXXXX}

DTC #{XXXX}

Account #{XXXXXXXXXXXX}

For the benefit of: \_\_\_\_\_

From account# \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

**Contact {BROKERAGE FIRM STAFF, TITLE} for additional assistance.**

{BROKERAGE}

{ADDRESS}

{CITY, ST ZIP}

Tel: {XXX-XXX-XXXX}

Fax: {XXX-XXX-XXXX}

{BROKERAGE FIRM STAFF E-MAIL}

Please give this letter of authorization to the firm delivering the securities and **mail/fax/email a copy to {BROKERAGE FIRM'S STAFF} at the {BROKERAGE FIRM} address above.**

## Stock Donation Acknowledgement Letter when handled by the Parish brokerage

{DATE}

{ADDRESS BLOCK}

Dear {SALUTATION}:

Thank you for your recent stock donation. This letter confirms the receipt of your gift by {PARISH}, indicates how it was to be distributed, and provides you with documentation for your charitable contribution.

Your donation of {XXX} shares of {SECURITY NAME, TICKER SYMBOL} was received on {DATE} by the {PARISH}. Per IRS instructions, we did not place a value on the donation. Please consult with your tax advisor to establish the value for tax purposes. Your brokerage should be able to provide you with a record of the transaction.

Your generosity in sharing your financial resources is greatly appreciated. The parish received {\$XXXX} from the proceeds of the sale of the securities. Many of the good things that are happening in our community would not be possible without the good stewardship of parishioners like you. As you instructed, your gift will support the {PARISH, SCHOOL, MINISTRY, ETC.}. {IF SPECIFIED BY THE DONOR, LIST THE ALLOCATION e.g. \$1,000 TITHE or 20% TITHE}.

Thank you again for your generous stewardship gift to support our ministries. May God bless you and your loved ones.

Sincerely,

{PARISH STAFF MEMBER}

{TITLE}

**Note:**

Pursuant to §170(f)(8) of the Internal Revenue Code, which addresses substantiation of charitable contributions, this is to acknowledge the fact that {PARISH NAME} did not provide any goods or services in whole or partial consideration for the above contribution other than intangible religious benefits.

**Optional Attachment: Transaction Details**

To strike a balance between providing the information the donor needs for their taxes without valuing a non-cash gift, you can provide a statement from your brokerage or compile the following for the donor:

Security name and symbol	
Date the shares were received in your brokerage account	
Number of shares given	
High/Low prices on the date received	





**Appendix: Guidance for Charitable Deductions and Reporting**

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## 20.25 **Diocese Financial Policy**

### Accepting & Acknowledging Contributions

**Policy:** All gifts donated to the parish, mission, school or early childhood center including cash, pledges (unconditional promises to give), securities, trusts, insurance policies, real estate and other gifts-in-kind, will be officially recorded and acknowledged.

**Purpose:** To provide guidance regarding the acceptance, acknowledgment and the recording of contributions.

**Scope:** Applies to all parishes, missions, schools and early childhood centers.

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### I. Stock Gifts

Donating appreciated stock or mutual fund shares is a strategic gift-planning method. The donor receives an itemized deduction in the amount of the fair market value (FMV) of the shares donated as of the date of the gift. This value is deductible up to 30% of the donor's adjusted gross income and can be carried over for up to five years after the year of the gift.

Upon receipt of the stock into the diocesan brokerage account, the broker engaged by the Diocese will sell the shares for the benefit of the designated parish mission, school or early childhood center (entity). Proceeds of the sale will be sent by the broker to the Office of Stewardship and Development that will, in turn, transfer the proceeds to the entity. Under no circumstances is an entity of the Diocese permitted to open an account with a brokerage firm for the purpose of selling gifted stock or any other reason without the approval of the Diocesan Finance Officer. Attachment 20.25-1 Instructions to Donate Stock should be used to provide instructions to the donor. (See Sample for Donors: How to Donate Securities and Mutual Funds below)

Acknowledgments of stock gifts which comply with IRS guidelines will be mailed directly from the Diocesan Office of Stewardship & Development to the donor. The entity has no responsibility to acknowledge these gifts. The entity should not record the dollar amount of the gift in the donor's contribution records or statement of contributions. If the stock gift was designated by the donor to be applied to an outstanding pledge, the pledge amount should be reduced by the net proceeds of the gift. However, the amount should not be included on the donor's statement of contributions.

### IV. Acknowledgments – General

A charitable contribution is a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without getting, or expecting to get, anything of equal value. The following payments do not constitute charitable contributions:

- A. The value of volunteer services is not tax deductible to the donor. Do not include a dollar amount in the donor's statement of contributions.
- B. Payments received for services rendered are not tax deductible to the donor. Do not include a dollar amount in the donor's statement of contributions.

- C. Contributions earmarked by a donor for a particular individual or narrow class of recipients are not deductible by the donor. That is so even when they benefit someone who would otherwise qualify to receive a payment from an entity.

Effective for contributions made on or after January 1, 2007, a taxpayer may not take a charitable deduction for a cash gift of any amount unless the taxpayer has maintained records of support in the form of: a cancelled check, a wire transfer acknowledgement, a credit card record or a written acknowledgement from the donee showing the name of the donee and the date and the amount of the contribution. Therefore, the entity must post identifiable contributions of all amounts to the donor's contribution record in the entity's census software.

### **Contributions of \$250 or More**

Effective for contributions made on or after January 1, 1994, a taxpayer may not take a charitable deduction under section 170 of the Internal Revenue Code for any contribution of \$250 or more unless the taxpayer substantiates such contribution with a contemporaneous written acknowledgment from the charitable organization to which the donation was made [IRC §170(f)(8)]. A canceled check will not constitute adequate substantiation for a contribution of \$250 or more. Separate payments generally will be treated as separate contributions and will not be aggregated for purposes of applying the \$250 threshold. The taxpayer bears the burden of requesting the appropriate acknowledgment.

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At a minimum, all parishes, missions, schools and early childhood centers must keep a record of all contributions of \$250 or more and respond to all requests for written acknowledgments by donors. *The policy of the Diocese of Kansas City-St Joseph is that all donations of \$250 or more be acknowledged on a timely basis (within 30 days), except for recurring offertory gifts of \$250 or more, in which case acknowledgments may be sent quarterly.*

## IRS Publication 1771 Charitable Contributions Substantiation and Disclosure

### Written Acknowledgment

#### Requirement

A donor cannot claim a tax deduction for any single contribution of \$250 or more unless the donor obtains a contemporaneous, written acknowledgment of the contribution from the recipient organization. An organization that does not acknowledge a contribution incurs no penalty; but, without a written acknowledgment, the donor cannot claim the tax deduction. Although it's a donor's responsibility to obtain a written acknowledgment, an organization can assist a donor by providing a timely, written statement containing:

1. the name of organization
2. the amount of cash contribution
3. a description (but not the value) of non-cash contribution
4. a statement that no goods or services were provided by the organization in return for the contribution, if that was the case
5. a description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution
6. a statement that goods or services, if any, that an organization provided in return for the contribution consisted entirely of intangible religious benefits (described later in this publication), if that was the case.

It isn't necessary to include either the donor's Social Security number or tax identification number on the acknowledgment.

A separate acknowledgment may be provided for each single contribution of \$250 or more, or one acknowledgment, such as an annual summary, may be used to substantiate several single contributions of \$250 or more. There are no IRS forms for the acknowledgment. Letters, postcards or computer-generated forms with the above information are acceptable. An organization can provide either a paper copy of the acknowledgment to the donor, or an organization can provide the acknowledgment electronically, such as via an email addressed to the donor. A donor shouldn't attach the acknowledgment to his or her individual income tax return, but must retain it to substantiate the contribution. Separate contributions of less than \$250 will not be aggregated. An example of this could be weekly offerings to a donor's church of less than \$250 even though the donor's annual total contributions are \$250 or more.

#### Contemporaneous

Recipient organizations typically send written acknowledgments to donors no later than January 31 of the year following the donation. For the written acknowledgment to be considered contemporaneous with the contribution, a donor must receive the acknowledgment by the earlier of:

- the date on which the donor actually files his or her individual federal income tax return for the year of the contribution; or
- the due date (including extensions) of the return.

#### Goods and Services

The acknowledgment must describe goods or services an organization provides in exchange for a contribution of \$250 or more. It must also provide a good faith estimate of the value of the goods or services because a donor must generally reduce the amount of the contribution deduction by the fair market value of the goods and services provided by the organization. Goods or services include cash, property, services, benefits or privileges.

However, there are important exceptions:

**Token Exception** — Insubstantial goods or services a charitable organization provides in exchange for contributions do not have to be described in the acknowledgment.

Good and services are considered to be insubstantial if the payment occurs in the context of a fund-raising campaign in which a charitable organization informs the donor of the amount of the contribution that is a deductible contribution, and:

1. the fair market value of the benefits received does not exceed the lesser of 2 percent of the payment or \$106,\* or
2. the payment is at least \$53,\* the only items provided bear the organization's name or logo (for example, calendars, mug or posters), and the cost of these items is within the limit for "low-cost articles," which is \$10.60.\*

\*The dollar amounts are for 2016. Guideline amounts are adjusted for inflation. See IRS.gov for annual inflation adjustment information.

...

**Intangible Religious Benefits Exception** — If a religious organization provides only "intangible religious benefits" to a contributor, the acknowledgment does not need to describe or value those benefits. It can simply state that the organization provided intangible religious benefits to the contributor.

What are "intangible religious benefits"? Generally, they are benefits provided by a tax-exempt organization operated exclusively for religious purposes, and are not usually sold in commercial transactions outside a donative (gift) context. Examples include admission to a religious ceremony and a de minimis tangible benefit, such as wine used in a religious ceremony. Benefits that are not intangible religious benefits include education leading to a recognized degree, travel services and consumer goods.

## IRS Publication 561 for Tax Payers: Determining the Value of Donated Property

Updated February 2020

### What is Fair Market Value

To figure how much you may deduct for property, you must first determine its fair market value on the date of the contribution...

**Date of contribution.** Ordinarily, the date of a contribution is the date that the transfer of the property takes place.

**Stock.** If you deliver, without any conditions, a properly endorsed stock certificate to a qualified organization or to an agent of the organization, the date of the contribution is the date of delivery. If the certificate is mailed and received through the regular mail, it is the date of mailing. If you deliver the certificate to a bank or broker acting as your agent or to the issuing corporation or its agent, for transfer into the name of the date the stock is transferred on the books of the corporation.

### Valuation of Various Kinds of Property

#### Stocks and Bonds

The value of stock and bonds is the FMV of a share or bond on the valuation date. See *Date of Contribution* earlier, under *What is Fair Market Value (FMV)*.

**Selling prices on valuation date.** If there is an active market for the contributed stocks or bonds on a stock exchange, in and over-the-counter market, or elsewhere, the FMV of each share or bond is the average price between the highest and lowest quoted selling prices on the valuation date. For example, if the highest selling price for a share was \$11, and the lowest \$9, the average price is \$10. You get the average price by adding \$11 and \$9 and dividing the sum by 2.