



Selling Your Business?

How Working with The Dayton Foundation Can Benefit You and Your Favorite Nonprofit Organizations



When preparing to sell your business, who would you rather benefit from the proceeds – Uncle Sam or your favorite charity?

If you are among the many entrepreneurs who generously give to charity, you may want to donate a portion of your appreciated building or shares of stock in your family business to establish a fund through The Dayton Foundation. Doing so will help you maximize your tax savings and avoid significant capital gains taxes while benefiting the charitable organizations of your choice.

Advantages to donating your assets to the Foundation prior to the sale of your business include:

➤ **Maximizing the sale of your business.**

Closely held stock or corporate real estate is deductible at the fair market value on the contribution date up to 30% of your Adjusted Gross Income [AGI], with a five-year carry forward for unused deductions.

➤ **No capital gains tax.** You can avoid capital gains tax on noncash assets that have been held longer than one year.

➤ **Funding your charitable giving.** Assets can be placed into a Dayton Foundation Donor-

Advised Fund that your family can continue to advise with grants to any 501(c)(3) IRS-qualified public charity for many years to come.

➤ **Additional tax savings.** Assets that you place into a Dayton Foundation Donor-Advised Fund are not subject to estate taxes and appreciate tax free, allowing for more dollars to go to your favorite nonprofit organizations and charitable causes.

Making a Gift Prior to Selling Your Business Scenario

Mr. Lewis owns a local tool and die shop, which he founded in the 1970s. When he learned his children weren't interested in taking over the family business, he decided to sell it. Because his wife is a professor at a local college and they are longtime members of their church, they also would like to continue their generous support of these organizations in retirement. The Lewises' advisor suggested they establish a Donor-Advised Fund through The Dayton Foundation before the negotiated sale of their business to maximize their tax savings and fund their charitable contributions. The business is

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Selling Your Business – An Illustration

| | No Gift to Charity | Making a Gift to Charity AFTER Selling the Business | Making a Gift to Charity PRIOR to Selling the Business |
|------------------------|--------------------|---|--|
| Business Value | \$7,000,000 | \$7,000,000 | \$7,000,000 |
| Cost Basis | \$3,000,000 | \$3,000,000 | \$3,000,000 |
| Sale Portion | \$7,000,000 | \$7,000,000 | \$5,118,540 |
| Allocated Basis | \$3,000,000 | \$3,000,000 | \$2,193,660 |
| Net Gain | \$4,000,000 | \$4,000,000 | \$2,924,880 |
| Tax on Gain | \$952,000 | \$952,000 | \$696,121 |
| Taxes Saved | \$0 | \$696,140 | \$696,140 |
| Net to Donor | \$6,048,000 | \$4,862,680 | \$5,118,559 |
| Charity | \$0 | \$1,881,460 | \$1,881,460 |
| Gift Cost | \$0 | \$1,185,320 | \$929,441 |

Fair Market Value of the Business 7 Million / Cost Basis 3 Million / LT capital gains rate of 23.8% (max of 20% and the Medicare surtax of 3.8% if applicable) / Ordinary income tax rate 37% / The illustration/calculation does not include the impact of alternative minimum tax or state tax savings that would need to be evaluated on a donor and state specific basis.

estimated to sell for \$7 million.

The chart above illustrates the benefit of donating assets before selling the business, as opposed to making no gift or a gift after the sale of the business.

If Mr. Lewis makes a gift of \$1,881,460 after the sale of his business, he nets \$4,862,680. However, if Mr. Lewis makes the same gift prior to selling his business, he pays almost no federal taxes and nets \$5,118,559, putting an additional \$255,879 into his pocket. He and his wife still have \$1,881,460 available in their Dayton Foundation Donor-Advised Fund to disperse to their favorite charities.

Most importantly, by donating the share of his business *before* the sale, the Lewises now have a total of \$7,000,019 (\$5,118,559 net and \$1,881,460 in a Donor-Advised Fund) instead



of the \$6,048,000 they would have by doing nothing at all. Now, they can avoid a hefty tax bill and instead have an additional \$952,019 to support their favorite charities through their Dayton Foundation fund. 🌿

We're here to help you help others:

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