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Delivery: When a Gift Becomes a Gift

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Three elements determine a charitable gift: timing of the gift delivery, received in proper form, and ability to transfer ownership.

Don't overlook the mechanics of good delivery. Making the transfer process run smoothly for the donor and their advisors will eliminate misunderstandings and instill confidence in the charity's ability to provide proper donor services.

The basic rule is a gift is made when the asset is delivered to the charity. Possession and/or ownership of a gift asset is determined by how and when it is received. Without proper delivery the donor may not have a deductible gift. Often in the gift planning process there is a need to explain in advance the proper gift transfer method.

There are many methods to transfer ownership of a gift asset and there are different types of gift assets which may be transferred.

Potential gift assets may include: cash, stocks, corporate bonds, savings bonds, mutual funds, life insurance, real estate, personal property, mineral rights, etc. Assets may be owned in many ways: sole ownership, various forms of joint ownership, held in trust, partnership, held in a contract or in a retirement plan.

The delivery method for an outright gift may be different from a gift to establish a life income agreement. For example: your charity may have several gift accounts into which it may select to transfer assets, i.e., cash gifts go to a Bank Account A for processing, whereas outright stock gift go to Broker Account B; while cash and stock gifts for life income agreements go to a different bank or broker account.

Have a thorough understanding of how gifts are processed internally. A good idea is to add a section on gift delivery procedures to your policies and procedures for outright and planned gifts. A modification of the information may be developed to share with donors and advisors.

IRS publication 526 "Charitable Contributions" (www.irs.gov) provides a summary what and when gifts are deductible. IRS publication 561 "Determining the Value of Donated

Property" provides further rules on the necessary substantiation required for some gifts.

When working with uncommon gift assets (real estate, S corporations, C corporations, mineral assets, personal property gifts) the PGO should review the proper procedures so when the gift is ready to be delivered all parties know the delivery sequence.

Here are some basic rules.

Cash is deductible when transferred to charity. Transfer takes place when a check is mailed providing it is received in the normal course of business. The date of the gift is the date of mailing.

Credit card gifts are delivered on the "transaction date" posted on the account statement.

Security transfers take place in several ways. If the donor possesses a certificate the donor may mail it in one envelope and for the delivery to be complete, a properly executed stock/bond power should be mailed in a separate envelope. When the charity has both the certificate and the power, it has possession and a gift. The date of the gift valuation is determined by the postmark of the last envelope.

If the security is in a brokerage account, the broker may be instructed to make a DTC (Deposit Trust Company) transfer of the stock into the charity's account. The date of the gift is the date the asset is received into the charity account.

A real estate gift is delivered when a valid deed is recorded in the charity name.

Do not let the delivery mechanics jeopardize your gift transactions.