SELLING A BUSINESS

Jewish Community Foundation OF GREATER PITTSBURGH

Did you know...

The Jewish Community Foundation has strategies to help reduce the dramatic impact the capital gains tax has on the sale of a business.

We have helped business owners to avoid the brunt of capital gains taxes and profit more from the sale of their business. Consider letting us assist you when you intend to sell your business.

Here's an example:

Ellen, a successful entrepreneur, was thinking about selling her real estate business. A couple of firms had shown interest in buying Ellen's C-Corp, but the deal wasn't complete and terms were still being negotiated. Ellen knew that because she's built her business from basically nothing over the course of her career, she'd be facing a large capital gains tax when the sale was complete.

Her financial advisor suggested that instead of selling the business and donating a portion of the proceeds, she should contribute a 20% stake in the business directly to a donor advised fund at the Jewish Community Foundation—helping to lessen her capital gains exposure and claim a higher tax deduction. Since she belonged to a synagogue, gave annually to the Jewish Federation, the Pittsburgh Symphony and Carnegie Mellon University, this strategy would allow Ellen to direct more dollars to those institutions than she could have, had she only donated 20% of the after-tax proceeds from the sale of her business.

A donor advised fund is a simple alternative to a private foundation that Ellen can use for all of her charitable giving to both Jewish and general charities. After her death, she can pass the right to recommend distributions to her children, enabling them to achieve their philanthropic goals with ease and flexibility.

Ellen took the advice. She donated a $400,000 minority stake in her $2,000,000 business to a donor advised fund at the Foundation. This resulted in minimizing her capital gains exposure and claiming a significant tax deduction. Ellen was able to create an even larger fund than she thought was possible to support all her favorite charities.

Here's a summary of how donating 20% of her company's stock prior to its sale reduced her tax obligation and enabled her to donate more to her charitable fund:

Assumptions

Value of Ellen's business	$2,000,000
Value of minority stake (donated)	$400,000
Ellen's federal long-term capital gains rate	23.8%
Ellen's federal income tax rate	39.6%

	Ellen sells, pays tax, then donates	Ellen donates 20% pre-sale
Fair market value of stake in business	**$400,000**	**$400,000**
Long term capital gains tax paid	**$95,200**	**$0**
Charitable contribution/ deductions	**$304,800**	**$400,000**

Advantages of pre-sale donation:

Ellen reduced her tax obligation by **$132,899***

Additional amount dedicated to charity: **$95,200**

*reduced tax obligation comes from a capital gains tax savings of **$95,200** and an income tax savings of **$37,799**

If a donation scenario like Ellen's sounds appropriate for you, the Jewish Community Foundation has the experience and technical expertise to help. The Jewish Community Foundation can:

- **Simplify the process of contributing highly-appreciated, non-publicly traded assets**
- **Help you realize the most favorable tax consequences with the greatest charitable impact**
- **Work with you and your advisor to prepare and plan for contributions in advance of a liquidity event**