

Some Notes on Giving

by Terry Cosentino and Charles Wotring



One of the more recent examples of donations involved a GM PD3703 coach named "Little Spike" that was restored by Spike Michaud back in 1979. The Michaud family donated funds to the Museum of Bus Transportation in Hershey, Pennsylvania, to restore the coach in Michaud Bus Lines' original colors to honor Spike's father, J. Alex Michaud. Three generations of Michauds were present at the dedication, left to right: Spike Michaud, Amanda Michaud, Tom Collins from the Museum and Jim Michaud.

The time comes for many to give because they have the ability to. It is nice to share when you are in such a position. This article is the combined work of two people, an Enrolled Agent (a tax professional) who is deeply interested in buses, and the largest bus industry memorabilia dealer in the world, who has much exposure to the ins and outs of "giving." It should be stressed that the following information is general in nature and you should consult a tax expert of your own choosing before you give anything of sub-

stantial value to another person or organization. This is very important, if you have any expectation of consideration benefit in your annual federal income tax filing.

Historically, many people have been ill advised by a friend or organization. Gifts of all kinds are often given before the giver finds out that not all gifts are tax deductible. Those that are deductible are never dollar for dollar when filing tax returns, so the giver is often sadly disappointed.

If you use the "short form" for your annual income tax filing rather than the "long form," you may learn that contributions have no bearing for that tax year. It could be that you may benefit from using the long form some years but not others. It is highly suggested you consult a reliable tax person, as each individual or small business is a unique situation. One size does not fit all. A large business usually has an advisor on staff or retainer to explain situations of this nature.

When giving small gifts to a church or organization such as the small Cancer, Heart, March of Dimes organizations and other 501c3 non-profit organizations, you usually give and forget about it. As a side bar, if interested, you may wish to inquire from the organization how much of the funds they take in through the year are spent on administration, advertising for fund raising, and other supportive areas. What you may learn may surprise you and change your giving habits in the future.

The term "Gifts in Kind" is things (items) of value, other than real dollars. This would be anything of value such as land, a building, a vehicle, a collection, a service (like property

maintenance) and its value. When above \$5,000 (including all other giving for that tax year), you should be able to receive some tax benefit. Accumulated items and dollars given do not need to be appraised in accordance with the Federal IRS rules and regulations if under \$5,000. The person you engage to appraise your "Gifts in Kind" must meet specific IRS rules and regulations. It is up to the person who received the tax benefit to find a suitable individual to perform the appraisal. The receiving organization, by law, is no longer able to provide a value for your gift.

How much will you realize from your gift of a bus or collection of bus industry memo-

abilia on your income tax return? The answer is different, depending on your individual situation. At best, you can expect to get only the appraised value times the percent income tax bracket you are in. Someone in the 30 percent bracket would get more value from the same gift as a person in the 15 percent bracket. No quibble, no haggle – that is just the way it is. That is the current IRS law.

Over the years the IRS became aware of many grossly inappropriate practices being employed by some organizations. One of these was to allow the receiving organization to place a dollar value on items they received. To eliminate things of this nature, the IRS has become very strict with respect to appraising and the givers reaping financial rewards of giving.

With the above in mind, in many situations an individual or estate may be able to realize real dollars by selling the Gift(s) in Kind as opposed to donating it to a 501c3 non-profit organization. It is up to the giver to ensure the receiving organization is currently registered by the IRS. If it is not and if an audit is conducted, the giver may find themselves without benefits from the gift. There is no recourse. It is the giver's responsibility to know whom the gifts were given to.

As part of their service, many appraisers check to ensure the receiving organization is currently registered. One reason for this is to avoid embarrassment in the event of an audit. The name of the receiving organization becomes part of the IRS filing on the appropriate IRS form, as does the signature of an authorized person from the receiving organization.

It is surprising that there are a number of organizations out there claiming they are properly registered with the IRS who are not, never have been, or have failed to renew their status.

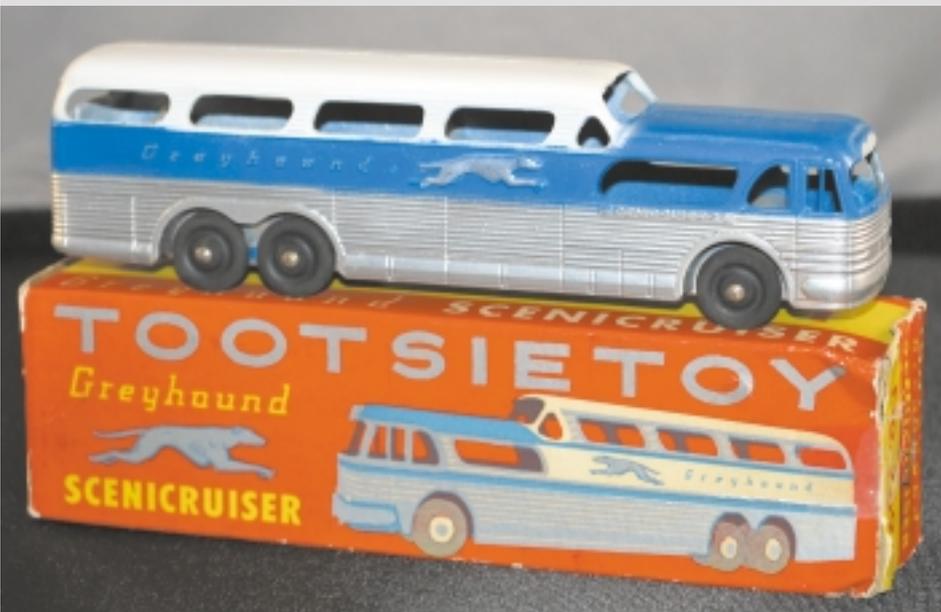
Words of caution regarding an audit: Some audits are purely random, while others are caused by someone informing the IRS of a suspected problem. Sometimes a change in the taxpayers' giving habits could be the cause of an audit. In the event of an audit, you should feel comfortable if you used the services of a professional with a reputation of doing things right.

In closing, when giving dollars or "Gifts in Kind" it is suggested that you require a formal document from the receiving organization. This should clearly state how your gift will be used. Additionally, in the event it is found the receiver is not honoring the word and intent of the agreement for the gift, you will have no records or control over the use of your gift. It is the opinion of the authors that if an organization is unwilling to sign off on such an agreement, you may want to consider looking for another organization to receive your gift. □

Another recent example of giving was this "Saudi" MC-5C that went to the Greyhound Museum in Hibbing, Minnesota. After returning from Saudi Arabia, the coach was used by the Los Angeles Sheriff Department to transport prisoners. It then went to All City Bus Company where it was used to transport cast and crew for movies. All City Bus Company not only donated the coach to the Greyhound Museum but also had it painted to the original Saudi livery.



Giving can include a wide range of items or even money itself. Numerous collections have substantial value to museums or can be sold to generate money for the museum. Included would be bus models such as this TootsieToy Scenicruiser, brochures, schedules, other papers and even uniforms.





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