

JUNE 30, 1998, DEADLINE FOR FAVORABLE TAX TREATMENT OF GIFTS TO PRIVATE FOUNDATIONS OF QUALIFIED APPRECIATED STOCK

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Once again, the income-tax provision permitting full fair market value deductibility of gifts of qualified appreciated stock to private foundations is about to expire.¹ The current expiration date is June 30, 1998. If the provision is not extended by Congress, private foundation donors will generally be permitted to claim an income-tax deduction only for the cost (or basis) of appreciated publicly traded stock.²

Efforts are underway to extend the provision for another year. While the extension is supported by the administration, there can be no guarantee that it will be enacted. As a result, anyone planning to contribute qualified appreciated stock to a private foundation may wish to complete the gift on or before June 30, 1998. Excess contributions can be carried forward for up to five years.

Fair-market-value deductibility of gifts of appreciated property to public charities (e.g., a church or synagogue, college, hospital, charity that solicits gifts from the public, donor-advised fund) and to private flow-through and operating foundations is not affected by the expiration of this provision.

If you have any questions about this matter or what constitutes "qualified appreciated stock", please call Victoria Bjorklund (212-455-2875), Christina Nooney (212-455-2740), or Jennifer Goldberg (212-455-2668).

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¹ Section 170(e)(5) of the Internal Revenue Code of 1986, as amended. The term "qualified appreciated stock" means stock

- for which market quotations are available on an established securities market,
- which is capital gain property in the donor's hands, and
- in a company of which the donor and the donor's family have contributed less than 10% in value, counting prior contributions.

² The basis-only limit is and will remain the rule for all other appreciated-property gifts to private foundations.