PLANNED GIVING PROGRAM

Policy 306

Purpose
Describes the types of planned giving solicited and supported by the Tallahassee Community College Foundation.

Policy
The Tallahassee Community College Foundation supports a comprehensive planned giving program. Planned giving refers to gifts that a donor intends for the benefit of the College in the future. These deferred gifts may be in the form of a bequest, trust, or life insurance provision, which may be revocable or irrevocable.

Procedures
1. Charitable Remainder Unitrusts - This trust will be an irrevocable transfer of cash and/or securities to a trust paying lifetime fixed percentage income (and to a survivor for life). The trust will be managed as a single fund paying a fixed percent annually, based on fair market value of trust assets. The income tax charitable deduction will be based on the "remainder" according to Treasury tables. There will be no capital gain or appreciated securities.

2. Charitable Remainder Annuity Trust - This trust will be an irrevocable transfer of cash and/or securities to a trust-paying lifetime fixed dollar income (and to a survivor for life). The remaining provisions will be the same as a charitable remainder unitrusts, except for paying a fixed dollar amount annually.

3. Charitable Gift Annuity - This annuity will be an irrevocable transfer of cash and/or securities in exchange for an annual fixed payment**.** The charitable deduction will be based on the value of the gift minus Treasury table costs to purchase a comparable commercial annuity. A percentage of each annuity payment will be tax-free, based on the donor's age at the time of the gift for the period of the donor's life expectancy. The capital gain will be paid on appreciated securities, but it will be reduced by the value of the charitable gift portion. In addition, the gain will be reportable, prorated over life expectancy, when the annuity is non-assignable and the donor is the annuitant.

4. Deferred Payment Gift Annuity - This annuity will be an irrevocable transfer of cash and/or securities, but the guaranteed life income will not begin until the donor names a future retirement date. The charitable deduction of the remainder value of the gift will likely generate high tax savings for higher current tax brackets. Part of each guaranteed payment will be tax-free with the restrictions indicated in No. 4 (Charitable Gift Annuity) above. The survivor may also benefit.

5. Charitable Lead Trust - The donor establishes a trust consisting of income-producing assets that benefit the Foundation for a set period of time, after which the remainder in the trust reverts

to the donor or the donor's designee(s). The lead trust can also be established through the donor's will. Lead trusts establish values that may appreciate over time, but the estate has to transfer only the original basis for income tax purposes when family members inherit the estate. The income to the Foundation must be expressed as an annuity or a fixed percentage of the property's annual value. If the donor remains taxable on the trust income, federal income tax deductions will be permitted.

6. Gift of Home with Lifetime Usage - A home (principal, second, or vacation) can be deeded to the Foundation with the donor (and survivor) retaining lifetime use and enjoyment. The tax deduction will be in the year the gift will be made based on the donor's age. The value of the remainder interest (value of property minus depreciation) will provide annuity income with the percentage of annual income considered a tax-free return of the principal.

7. Revocable Charitable Remainder Trust - This trust will involve a transfer of cash and/or securities and/or property to a revocable trust with the donor receiving a lifetime income. The donor can add to, subtract from, or even dissolve the trust at any time. While no income tax deductions will be permitted since the donor retains the right to diminish the principal, estate tax benefits can be substantial since the entire trust will qualify for an estate tax charitable deduction, and the probate costs will be saved.

8. Bank Account/Mutual Fund "In Trust" -The donor adds the words "in trust to TCC Foundation" to the account or mutual fund. The donor retains all rights to the account, including revision or dissolutions, as well as income tax liabilities. If the account is still active upon the donor's death, the account will be payable to the TCC Foundation, thus avoiding probate. Donor should provide language to designate Foundation as the payable on demand beneficiary.

9. Bequest - An unlimited federal estate tax charitable deduction will be allowed for a bequest. The bequest may be for a designated percentage or an amount in an estate; a residuary bequest of all or a portion of an estate after debts, taxes, expenses, and other bequests are satisfied; or a contingent bequest with the Foundation as the beneficiary if the primary beneficiary predeceases or disclaims the property. Restrictions may be included to specify that the bequest honor a specific individual or individuals and to benefit a particular program. Bequests can also establish the charitable trusts described above to benefit a survivor (testamentary trust).

10. Life Insurance - The Foundation can be named as revocable primary beneficiary or contingent beneficiary
    - Life insurance can be purchased with irrevocable assignment to the Foundation with the donor receiving an immediate federal income tax charitable deduction for the lesser of the policy's fair market value or net premiums paid. Income tax deductions will be permitted for contributions to pay subsequent premiums.
    - Life insurance can be purchased from tax savings of a gift to the Foundation to ensure that the donor's family eventually receives equivalent to the value of the original gift given.
    - The Foundation, at its option, may elect to purchase life insurance to facilitate any planned gift.

11. The Foundation may elect to use outside administrators for the foregoing instruments.

MEMO OF UNDERSTANDING
DEFERRED GIFT

Policy 307

Purpose
Specifies that a "Memo of Understanding: Deferred Gift" will be signed by donors of deferred gifts to the Tallahassee Community College Foundation.

Policy
Donors of deferred gifts to the Tallahassee Community College Foundation will sign a "Memo of Understanding: Deferred Gift."

Procedures
1. The donor of a deferred gift will specify the manner in which the earnings in the bequest will be applied and will name the gift.

2. The "Memo of Understanding: Deferred Gift" will be signed by the donor(s) and the Executive Director of the Tallahassee Community College Foundation.

CREDIT FOR DEFERRED GIFTS

Policy 308

Purpose
Outlines procedures for crediting planned (deferred) gifts to the Tallahassee Community College Foundation.

Policy
<u>Definitions</u>

- Crediting - The dollar amount recognized for a gift arranged currently but for which actual receipt and use of the gift will be deferred to a future date, specified or unspecified. Final valuation for tax purposes will be a matter to be resolved between the donor and his or her tax advisors.

- Fair Market Value - The value of a gift as determined by a seller and buyer, when neither is under constraint to buy or sell.

- Remainder man - The ultimate beneficiary (TCC Foundation)

- Discount Rate - *Applicable Federal Rate* (AFR); available from the U.S. Department of the Treasury monthly, the *Wall Street Journal* (22nd - 24th, each month), *Chronicle of Philanthropy*, etc.

A donor will receive recognition for a deferred irrevocable gift based on the remainder man interest (current value of the future gift based on the fair market value minus the donor's life interest). The tables for determining payout for gift annuities and remainder man values will be determined by the American Council on Gift Annuities (Dallas, Texas).

The fair market value of a contributed asset other than cash or publicly traded securities will be established by a qualified appraisal. In general, appraisals will be obtained and paid for by the donor unless specifically authorized otherwise by the Foundation.

The above policies will be implemented according to regulations as reviewed by the Planned Giving Committee and approved by the Board of Directors of the Tallahassee Community College Foundation.

Procedures
Deferred gifts to the Tallahassee Community College Foundation will be credited as follows:

1. Pooled Income Trust: Remainder man interest.

2. Charitable Gift Annuity: Remainder man interest.

3. Charitable Lead Trusts: Face value of the aggregate of annuity dollars to be received for the

term of the trust.

4. Gift of Personal Residence (or other property): The present value of the property based on the projected life span of the donor(s), with the property depreciated for the value to be received by the donor. When property funds a trust, the credit will be based on the net return on the property after its sale. Since the land will not be depreciated, the appraised value of the land must be noted separately from the appraisal of the building(s). The depreciation of the building(s) will take into consideration the value of the structures, the useful life of the structures, and the salvage value of the structures. As a general guideline, 45 years will be used to calculate the useful life of a building and 20 percent of the current value for the salvage value (Example 3 of Reg. Section 1.170A-12(b), unless the appraiser indicates otherwise). For example, John and Mary Jones, both 75, transfer a $300,000 home. With the federal rate of 6.4 percent, they receive an income tax deduction of $109,245. This $190,755 represents the value of their life estate (the right of both of them to live in their home for the rest of their lives).

5. Charitable Remainder Trust: Remainder man interest (discounted present value of the remainder allowable as a deduction by the IRS Code).

6. Life Insurance: Current recognition will be based on the annual contribution used to pay the premium. The ultimate recognition will be based on current recognition guidelines on the value of the death benefits. A paid-up life insurance policy will be credited with the cash value of the policy at the time it will be fully paid or irrevocably transferred to the Foundation. For annual reporting purposes, the face value (death benefit) will be reported for all Foundation owned/beneficiary insurance policies in force plus the paid-up death benefit of any lapsed policies.

7. Remainder Interest in Residence/Farm: The remainder value will be recognized as an allowance deduction by the IRS.

8. Gift of Stock: Fair market value will be used for gift and estate purposes. Fair market value will also be used for income tax purposes if the donor has held the stock for over one year. For long-term stock, the fair market value for publicly traded securities will be the mean value between the high and low trades on the day of the gift. For over-the-counter trades, the fair market value will be the average of its bid and asked prices on the day of the effective gift. For short-term stock, the charitable contribution for income tax purposes will be limited to the donor's basis in the gifted asset by purchase = the amount paid for the asset; by inheritance = value of the asset on the date of death or six months later if the executor (personal representative) selected alternative valuation date for all descendant's assets; by gift = donor assumes basis of person who gave the assets to him or her.

9. Non-Publicly Traded Securities: The value of closely held stock exceeding $10,000 in value at the fair market price will be determined by a qualified independent appraiser, as required and defined by the IRS. Gifts of $10,000 or less may be valued at the per-share cash purchase price

of the most recent transaction or may be determined by a qualified independent appraiser.

10. Bonds: The fair market value will be determined by the market value on the date of the transfer as listed in the *Wall Street Journal* or a recognized bond brokerage agency (as opposed to the actual “face value” of the bonds).

11. Gift of U.S. Savings Bonds: Owners of Series E bonds will be able to exchange them for Series H bonds in the name of the Foundation and receive a charitable deduction for the fair market value. (The donor must include the bond’s increase in value up to the date of the gift in his or her gross income in the year of the gift.)