

Gifting the ODK Foundation

By Ron Sorrell

A person who did unusually well financially in 1986 may have an opportunity to establish a private foundation.

This is an entity that's organized and funded by an individual donor. It uses its income to make charitable distributions. Money paid out by the foundation can't benefit the donor directly. But since the foundation can bear the donor's name, it may generate favorable publicity or goodwill.

Contributions to a private foundation are deductible up to 30% of adjusted gross income if they're in cash, and up to only 20% if they're in securities. (The limit for most other types of gifts is 50% of income.)

Other rules apply, many of which vary according to state law. Consult an expert about costs and legal technicalities before acting.

The Outrigger Duke Kahanamoku Foundation has experts available and would be able to assist any parties

desiring specialized counseling.

More Gifts

Even if you don't intend to use sophisticated giving techniques, it's sensible to make as many donations as possible before year-end, while high tax rates are still in effect. Key points:

- It's usually smart to donate long term capital-gain property instead of cash. Say you want to donate \$1,000 to the Outrigger Duke Kahanamoku Foundation, and you own stock worth \$1,000 that you bought more than six months ago for \$600.

By donating the stock to the Foundation, you not only get a \$1,000 deduction, you also avoid having to pay capital-gains tax.

Reverse: If you own securities that have gone down in value, don't give them to the Foundation, or you'll forfeit your capital-loss deduction. Instead, sell the securities and give the proceeds from the sale to the Foundation.

- If you give appreciated personal property to a charity, be sure it's used for the charity's exempt purpose. If the charity doesn't use the property but resells it to raise cash, your deduction will be reduced by 40% of the property's appreciation.

Example: You bought a painting for \$500. It's now worth \$1,000 and you've donated it to the art department of a local college. If the college uses the painting in art history classes, for example, your deduction will be \$1,000. But if it sells the painting to raise \$1,000 cash, your deduction will be only \$800 (\$1,000 minus \$200, that is 40% of the \$500 appreciation.)

- If you donate property worth more than \$500 to the Foundation (charity), you must file Form 8283 with the IRS to document your gift's value. Property appraisals are more important than ever.

Large gifts (\$5,000 in property or \$10,000 in closely held stock) will require a formal appraisal. Be sure you have the property appraised before the gift is made — appraisals made after the fact have less credibility.

Advice: If you're planning to make a property gift this year, have an appraisal done as soon as possible. Skilled appraisers are less likely to be

available late in the year, when a frenzy of last minute gift making can be expected.

- Beware of the alternative minimum tax. This is a special tax computation that can cause you to lose much of the tax benefit expected from donating appreciated property. It usually applies to people who have taken large capital gains or have made tax sheltered investments, but its impact can't be determined without working through the figures.

Advice: Review strategy with a tax expert before committing yourself. ☺

Editor's Note: Ron Sorrell is an investment advisor and a tax shelter consultant. He founded the Outrigger Foundation in 1983. The Outrigger Foundation merged with the Duke Kahanamoku Foundation in 1986 to support Hawaii athletes at higher levels of national or international competition.

Paddleboard Race

The 10,000-meter Ocean Paddleboard Race will be held on Saturday, December 27, at 10:30 a.m. at the Club. The race is open to the public. There is no registration fee. Some Club paddleboards are available for use by members.

Registration will be taken at the Terrace beginning at 9:30 a.m. An awards ceremony and luncheon will follow the race. ☺

Help Needed for Marathon Aid Station

Volunteers are needed to help in the Outrigger Aid Station for the Honolulu Marathon on Sunday, December 7. The station is located on Kahala Avenue and Hunakai Street. You should report to the station by 5:30 a.m. and will be finished sometime after noon. If you can help, sign up at the Front Desk. ☺

Princess Kaiulani

Special Christmas
Fashion Show
December 19th



1220 Kaumualii Street
Phone 847-4806
Mon.-Fri. 8-4, Sat.-Sun. 9-1