

POTENTIAL TAX BENEFITS OF CONTRIBUTIONS
TO THE KENT DISTRICT LIBRARY

A gift to the Kent District Library is generally deductible as a charitable contribution on both individual and corporate Federal income tax returns. This is because, as a governmental body, the Kent District Library qualifies under Section 170 of the Internal Revenue Code as an organization to which tax-deductible contributions may be made.

Long-term capital gain property may be donated to the Library. An example is common stock purchased over a year ago that has increased in value. By contributing such property to the Kent District Library, you may be able to both (1) avoid paying tax on the capital gain which would otherwise have to be paid when the stock was sold, and (2) be entitled to claim the full fair market value of the stock (not just your tax basis in the stock) as a charitable deduction.

The deductibility of the donation is subject to certain limits. For example, an individual's contribution is deductible to the extent that his/her total charitable contributions do not exceed 50% of adjusted gross income. In addition, if an individual contributes capital gain property (such as stock), the taxpayer's charitable deduction is limited to 30% of his/her adjusted gross income for the year. A corporation's contribution is deductible to the extent that its total charitable contributions do not exceed 10% of the corporation's annual taxable income.

For donors that are restricted to making contributions only to tax-exempt organizations that have 501(c)(3) status under the Internal Revenue Code, a gift to the Alliance of Friends is a viable option. The Alliance of Friends is a 501(c)(3) nonprofit organization that supports Kent District Library activities system-wide and serves as an umbrella group for the friends groups of local library branches. The Alliance of Friends also meets the Code definition of a "qualified organization"¹ to which a charitable donation may be made. As a result, both individual and corporate taxpayers may deduct contributions made to the Alliance of Friends. Another option is a donation to the Kent District Library Fund of the Grand Rapids Community Foundation.

Note: This document has been prepared by the law firm of Law Weathers at the request of the Kent District Library. The information contained in this document is not intended to serve as definitive tax advice, and should not be relied upon as such. The rules applicable to tax deductions and credits can be very complex, and often involve limitations, exceptions, special rules and other qualifications that may very well alter the tax benefits described in this document. Please consult a tax advisor to ascertain the tax implications of any contemplated gift.

¹ Groups organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes.