

# CAPITOL ♦ TITLE

## **Make Some Money and Make A Difference As Well “Bargain Sales” to Charity**

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### **What is a “Bargain Sale”?**

A “Bargain Sale” is a sale of property to qualified charity (recognized by the IRS as a valid, Section 503(c) organization) at less than its fair market value; the ultimate result is a transaction that is both a sale and a charitable contribution and therefore may be used as a tax deduction by the seller/taxpayer. As an example, if you sell your property which has a fair market value of \$250,000 to a charity for \$200,000, the transaction results in (i) a \$200,000 sale and (ii) a \$50,000 charitable tax deduction.

### **What are some benefits of a Bargain Sale?**

The Bargain Sale can create immediate cash to the seller/taxpayer or a stream of income if the seller/taxpayer agrees to hold (i. e. “take back”) financing on the property from the charity. It relieves the seller/taxpayer from further liability relating to the property as of the date of the closing on the Bargain Sale, in the same manner as would occur in the case of a traditional sale and provides a tax deduction for the charitable donation that can reduce the seller/taxpayer’s income taxes. It also provides the seller/taxpayer with the intangible benefit received by providing significant support to a qualified charity without requiring an “out of pocket” disbursement.

### **What technical requirements must be fulfilled?**

Good accounting and tax law advice is required to evaluate the tax benefits and seller’s financial situation in any particular Bargain Sale transaction. Objective evidence (e. g. an appraisal) is required to establish the “fair market value” for purposes of determining the amount of the charitable donation being made by the seller/taxpayer (the amount by which the FMV exceeds the sales price).

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