Closely-held stock is shares of a corporation in which the majority of stock is held by only a few shareholders. A gift of closely-held stock can be a powerful way to contribute to UAB’s future.

**Special Considerations**

- The IRS may require the value of the transferred interest to be documented through a qualified appraisal.
- The IRS has ruled that you cannot legally bind a charitable organization to go through redemption at the time it receives the shares.
- There can be no prearranged contract or agreement for the corporation to buy the stock back from the charity.
- The IRS does accept a tax court holding that a charitable organization may independently offer the donated stock for redemption.
- Retained earnings can be taxed twice, once on the corporate level and, if distributed as dividends, again on the individual level.
- A gift of closely-held stock will reduce your ownership percentage interest in the corporation if you own less than 100%. If you own all of the stock, however, gifting a portion of the stock followed by redemption leaves you still owning 100% of the company’s stock.

**How It Works**

You donate some of your shares of closely-held stock to UAB (though not so much as to reduce your company ownership to 50% or less). UAB could then sell the gifted interest back to you or back to the corporation. This interest can be purchased with funds from the company’s retained earnings; from other shareholders; from company employees (ESOP); from the donor’s heirs; or with funds from a combination of the four. While UAB is not and cannot be legally bound to sell the gifted shares, the market for such shares is typically limited to those four avenues set forth above. This gift provides us with much needed funds once we liquidate the stock and gives you an income tax deduction in an amount equal to the fair market value of your stock.
How to Complete Your Gift

Be sure there are no restrictions on the transfer of your stock and that it is debt-free.

• Inform UAB know of your intentions. Once we know your plan for making a gift of closely-held stock, we can evaluate it to ensure that we can accept the stock according to our guidelines.

• Determine how you prefer UAB to use your gift of closely-held stock. Do you have a particular program in mind that you would like to fund with your gift? Alternatively, do you wish for your gift to be unrestricted, enabling UAB to use the proceeds for our most pressing needs? Please let us know your wishes so that we can ensure that your intentions will be fulfilled.

• Meet with your professional advisor(s). Discuss your possible tax and financial benefits with them to ensure that this gift meets your goals. If the value of your shares is greater than $5,000, you will also need to arrange for a qualified appraisal to document your charitable income tax deduction.

• Meet with us to finalize your gift. During this meeting, we will discuss the three steps listed above and complete any necessary paperwork, including endorsing stock certificates and electronic transfers.

Is This Gift Right for You?

• Review this checklist to see if you may benefit from donating closely-held stock. Then, consult your professional legal and tax advisors to see how to maximize the benefits of this tax-efficient strategy to make a difference at UAB.

• You are a majority shareholder in a closely-held corporation and wish to support our mission.

• You would like to remove retained earnings from the corporation without having them taxed again.

• You would like to maintain a controlling position in the corporation’s outstanding stock.

• You wish to avoid capital gains tax on shares you might sell away to fund a charitable gift.

• You qualify for an income tax deduction for the full appraised value of the stock and wish to take advantage of this tax benefit.

For more information on closely-held stock or other planned gifts to benefit your favorite college, school or program at UAB, contact the Office of Planned Giving at 205-996-7533, plannedgiving@uab.edu, or visit our website at www.uab.edu/plannedgiving.