

Income Tax Benefits of Contributing to a Donor Advised Fund

Morgan Stanley Global Impact Funding Trust, Inc. (MS GIFT) is a qualified section 501(c)(3) organization and is classified as a public charity. A contribution to MS GIFT eligible for a charitable deduction from your federal income tax. Consult your tax advisor to determine if a charitable deduction is available in your state for state tax purposes.

Donor advised funds like MS GIFT offer individuals and corporations a unique opportunity to establish a long-term charitable giving strategy and play an active role in the giving process while still enjoying significant federal income tax benefits for their charitable gifts.

Contributing property that has increased in value to MS GIFT can be an especially effective income tax-planning strategy. One hypothetical example: Imagine that you purchased stock in a company many years ago for \$10,000, and the value of the stock has increased over time to \$50,000.

If you donated the stock to MS GIFT, you could be eligible for a charitable deduction for the stock's full fair market value of \$50,000. MS GIFT's later sale of the stock also would not subject you to federal income tax on the \$40,000 of capital gain.

Here is a short-form introduction to tax benefits of charitable giving and how to calculate them. Your tax advisors can provide you with more detailed information specific to your own circumstances.

Measuring the Federal Income Tax Deduction

Although federal income tax laws encourage charitable giving, those laws also generally provide limits so that individuals and for-profit corporations may not offset their entire taxable income with charitable gifts. Determining the amount of the tax deduction involves two steps!

STEP ONE: DETERMINING THE VALUE OF CHARITABLE GIFTS

Federal income tax law defines the way in which donors value their charitable gifts at the time of the gift. The valuation method depends on the type of property contributed and, often, how long you have owned it prior to the gift.

- Your donations of cash and long-term capital gain property (such as securities held for more than one year) are generally valued at their fair market value at the time that the gift is made.
- Gifts of short-term capital gain property (such as securities held for less than one year) would be valued

for deduction purposes at the lesser of their fair market value at the time of the contribution and your tax basis in the property, which is often what you paid for the property at the time that you acquired it. Special rules for determining basis can apply to property acquired by gift or bequest.

- Contributions of "ordinary income property" are valued at the lesser of their fair market value at the time of the contribution and your tax basis for deduction purposes. This property includes inventory, depreciable property and other items that would yield ordinary income if sold at fair market value.
- A gift of artwork by its creator, or a gift of any other tangible personal property that is not used by a charity in connection with its exempt purposes, is valued at the lesser of its fair market value at the time of the contribution and the donor's tax basis in the property.

**STEP TWO:
CALCULATING HOW MUCH
MAY BE DEDUCTED PER YEAR**

Having determined the value of potential charitable gifts, the second step is to calculate how much may be deducted in a given year. The annual restriction on this amount is based on a percentage of the donor’s adjusted gross income or “AGI.” AGI is a person’s gross income minus certain deductions that a person may claim whether or not the person itemizes deductions or takes the federal standard deduction (commonly referred

to “above-the-line deductions”).

- Cash gifts to charities such as MS GIFT may be deducted up to 60 percent of AGI.
- Fair market value deductions for long-term capital gain property (such as stocks and bonds owned more than one year) are capped at 30 percent of AGI.
- Deductions for short-term capital gain property (i.e., stock and bonds owned one year or less) and ordinary income property are limited to 50 percent of AGI.
- For corporations, the federal tax law reduces the limitation to 10 percent of the corporation’s taxable income for

all types of property contributed to charities such as MS GIFT.

- The tax benefits for charitable gifts in excess of these limitations are not necessarily lost, but are delayed, as individual and corporate donors may carry forward and deduct excess charitable contributions for up to five succeeding tax years. This is one reason why planning and consulting with a tax advisor is so important.
- The table below details the valuation method and percentage limitation for several common forms of charitable contributions by individuals.

Morgan Stanley Global Impact Funding Trust

TYPE OF CONTRIBUTION	AMOUNT DEDUCTIBLE (VALUATION)	ADJUSTED GROSS INCOME (AGI) PERCENTAGE LIMITATION FOR DONATIONS TO MS GIFT
Cash	Full amount	60%
Capital assets (such as marketable securities, closely held business interests and real estate) held for one year or less and ordinary income property.	Lesser of basis or fair market value	50%
Capital assets held for more than one year.		
• General rule	Fair market value	30%
• Election to limit deduction to basis	Donor’s basis	50%
• Tangible personal property, assuming the charity’s use is unrelated to charity’s exempt purpose.	Lesser of basis or fair market value	50%

For more information about MS GIFT and its donor advised fund program, please consult the Donor Circular and Disclosure Statement or your Financial Advisor or Private Wealth Advisor.

¹The federal income tax charitable deduction rules discussed in this article apply to donations made to public charities, such as MS GIFT. Different rules may apply to donations made to private foundations.

The Morgan Stanley Global Impact Funding Trust, Inc. (MS GIFT) is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended that sponsors a donor advised fund program. MS Global Impact Funding Trust (MS GIFT) is a donor advised fund. Morgan Stanley Smith Barney LLC provides investment management services to MS GIFT. Back office administration provided by RenPSG, an unaffiliated charitable gift administrator.

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While we believe that MS GIFT provides a valuable philanthropic opportunity, contributions to MS GIFT are not appropriate for everyone. Other forms of charitable giving may be more appropriate depending on a donor’s specific situation. Of critical importance to any person considering making a donation to MS GIFT is the fact that any such donation is an irrevocable contribution. Although donors will have certain rights to make recommendations to MS GIFT as described in the Donor Circular & Disclosure Statement, contributions become the legal property of MS GIFT when donated. The Donor Circular & Disclosure Statement describes the risks, fees and expenses associated with establishing and maintaining an MS GIFT account. Read it carefully before contributing.

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