



BARGAIN SALES

A “Bargain Sale” is the technical term for a charitable arrangement that is part gift and part sale. This is most commonly used for valuable assets such as highly appreciated real estate.

A Bargain Sale May Be Right For You If:

- You own a valuable asset that you are willing to sell for less than it is worth.
- You want additional cash now.
- You itemize your income tax deductions and want to save taxes.
- You want to save capital gains tax on the sale of your property.

How It Works

You offer to sell real estate to the Arts Council of Moore County for an agreed-upon price that is significantly less than the property’s market value. Assuming your offer is accepted, after appropriate due diligence by the Arts Council’s, you receive immediate cash equal to your sale price, and an income tax deduction for the difference between its fair market value and your sale price. Your property becomes the Arts Council’s to use or sell.

A bargain sale is a charitable arrangement in which you sell property, such as real estate, to the Arts Council for less than the property is worth.

Eligible Property

The Arts Council is happy to explore a wide range of real estate for consideration as a bargain sale. Personal residences, vacation or secondary homes, investment or commercial property, or undeveloped land may be acceptable, subject to the Arts Council’s due diligence and review. Please contact us about the property you are considering so we can discuss our interest in acquiring the property for a bargain price.

Tax Benefits

- Income Tax Deduction – You would receive an income tax charitable deduction in the year of your gift. The amount of your deduction would be equal to the difference between the fair market value of the property you donated and your sale price. Your income tax savings would depend on whether you itemize your deductions.
- Capital Gains Tax Savings – You would also avoid capital gains tax on a portion of your capital gain in the gift property. For example, if you sell your property to us for 1/3 of its fair market value, you will pay capital gains tax on just 1/3 of your capital gain in the bargain sale property. If the asset you sell to us is subject to debt, this debt will be assigned to your portion of the sale as the Arts Council cannot accept debt-financed property.
- Estate Tax Reduction – By removing your property from your estate, you may also reduce estate taxes and probate costs when your estate is settled. This will depend on the applicable estate tax laws in place at that time.



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Example: George, a devoted supporter of the Arts Council, owns vacant land that he purchased years ago for \$15,000. The land is in an area under rapid development, and it was recently appraised at \$250,000. George would like to make a significant gift to the Arts Council – perhaps establishing an endowed scholarship fund. At the same time, he is planning improvements to his home, and he needs about \$50,000 to finance his project. George is thrilled to learn that a bargain sale arrangement will allow him to achieve his financial and philanthropic goals.

He sells his land to The Arts Council for \$50,000 and gets the cash he needs to complete his home improvement project. He's also pleased with his \$200,000 income tax charitable deduction, which will create tax savings in the year of his gift that more than offsets the capital gains tax he'll need to pay. The Art Council then sells the land for a fair price, recoups its \$50,000 outlay, and uses the rest of the sale proceeds to establish an endowed scholarship fund in George's name.

Contacts for additional information:

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NOTE: This information is taken from sources believed to be reliable but is not guaranteed as to completeness or accuracy. You are urged to seek the advice of your financial planner, attorney, and/or tax advisor to make certain a contemplated gift fits well into your overall circumstances and planning.