

The Pre-Close Checklist



Five considerations for advisors with business owner clients approaching a liquidity event

Business owner clients have a narrow window for charitable planning before a sale closes. Here are the five watchpoints advisors need to understand before that conversation starts.



1. Assignment of Income

The gift must be structured and completed before the transaction becomes a fixed right to receive proceeds. The IRS looks at the totality of circumstances, whether an LOI has been signed, whether board or shareholder approval has occurred, whether deal terms are substantially agreed upon. No single event controls this analysis. Facts and circumstances determine the line, and donors should work with their tax advisor or legal counsel on timing.

Key question: *Where is the deal in its lifecycle? Has an LOI been signed, have shareholders voted, or are material terms effectively locked?*

2. Transfer Restrictions

Business agreements like shareholder agreements, operating agreements, buy-sell arrangements, frequently restrict ownership transfers or require consent. These must be reviewed before a gift is initiated. Even where a restriction doesn't prohibit the transfer outright, obtaining consent takes time a compressed deal timeline may not accommodate.

Key question: *Have the client's governing business documents been reviewed for transfer restrictions or consent requirements, and is there enough time to satisfy them?*

3. Gift Acceptance and Buyer Dynamics

Two separate parties must agree before the gift can proceed: the DAF sponsor and the buyer. DAF sponsors exercise independent gift acceptance judgment such as evaluating the interest type, associated liabilities, liquidity timeline, and legal considerations. A gift the donor intends to make is not a gift until the sponsor accepts it, and that process has its own timeline. Separately, some buyers object to a charitable organization on the cap table. Concerns typically center on the sponsor's governance, its ability to execute representations and warranties, and closing mechanics with a nonprofit as a selling party. These objections need to be surfaced and resolved before the gift is made.

Key question: *Has the DAF sponsor been engaged on gift acceptance, and has the buyer's posture on cap table changes been discussed with counsel?*

4. Entity Type

The type of entity being contributed shapes what's structurally possible and the economics of the gift. S-corporation interests require particular attention. Public charities are permitted S-corp shareholders, so the S-election is preserved, but gain recognized on sale is subject to unrelated business income tax (UBIT) at the sponsoring organization level. Unlike most capital gains, S-corp gain flows through as UBTI and can meaningfully reduce the net benefit of the gift. The after-UBIT economics should be modeled before the gift is finalized. LLC, LP, and C-corporation interests each carry their own considerations around transferability, consent, and the sponsor's willingness to accept and liquidate the interest.

Key question: *What type of entity is involved, what are the tax consequences to the sponsoring organization on sale, and has the DAF sponsor confirmed it can accept this specific interest?*

5. Valuation

A charitable deduction for a contributed business interest requires a qualified appraisal that's completed no earlier than 60 days before the contribution date, and no later than the tax return due date. One point advisors often miss: the appraisal must reflect FMV as of the gift date, not the negotiated deal price. An appraisal that appears reverse-engineered from deal terms is a meaningful audit risk. Timing and methodology should be coordinated with tax counsel before the gift is made.

Key question: *Has a qualified appraiser been engaged, does the timeline support completion before the gift date, and does the appraisal methodology reflect FMV independent of the deal price?*



The question that opens the door:

"Have you talked to your attorney about the timing of any charitable transfers before close?"

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