

TABLE OF CONTENTS

	Page
I. SCOPE AND BACKGROUND	1
II. CHARITABLE GIVING OF LIFE INSURANCE BASICS	2
A. Gifts of Life Insurance Policies To Charity	2
1. Reasons for Policy Gifts	2
2. Policy Gifts Which Qualify for Charitable Income Tax Deduction	2
3. Amount of Charitable Income Tax Deduction Before 50% and 30% Ceilings	4
4. Determination of Cost Basis or Investment in Contract	5
5. Determining Fair Market Value of Policy	7
6. Charitable Income Tax Deduction for Policy Gift – 50% and 30% Limits	8
7. Substantiation Requirements	8
8. Policy Subject to Loan Given to Charity	10
9. Gift Tax Charitable Deduction for Policy Gift	12
10. Fair Market Value of Policy for Gift Tax Purposes	12
B. Premium Gifts	17
1. Premium Gifts Which Qualify for Charitable Income Tax Deduction	17
2. Charitable Income Tax Deduction for Premium Gifts - 50% and 30% Limits	18
3. Premium Contributions “To” or “For The Use Of” a 50% Type Charity	18
4. Substantiation Requirements	19
5. Gift Tax Charitable Deduction for Premium Gift	19
6. Group Term Premiums	20
C. Charity Designated Beneficiary of Policy Owned by Insured	20

TABLE OF CONTENTS
(continued)

	Page
III. DIRECT AND INDIRECT USES OF LIFE INSURANCE IN CHARITABLE GIVING	20
A. Life Insurance and Charitable Remainder Unitrust (“CRUT”)	20
1. CRAT Not as Useful	20
2. CRUT Can Own Life Insurance	20
3. Income Tax Charitable Deduction	21
4. Important that a NICRUT or NIMCRUT Be Involved	21
5. CRT Miscellaneous	22
6. Examples of Life Insurance and CRT	23
B. Life Insurance and Charitable Lead Trust (“CLT”)	23
1. Advantage of Life Insurance in CLT	23
2. Disadvantage of Life Insurance in CLT	24
3. Shark Fin CLAT - Life Insurance	24
4. Life Insurance Replacing CRT and CLT Gifts	27
C. Life Insurance Replacing Charitable Gifts	28
1. Donor Has Large IRA and Intent to Benefit Family and Charity	28
2. Donor Combines Current Gift with a Life Insurance Trust	29
D. Policy or Premium Loans and UBIT	29
1. Possible Scenarios	29
2. UBIT and Unrelated Debt-Financed Income	29
3. Premium Financing from Policy or Third Party Loans	30
4. Policy Loan Invested in Other Assets	30
5. CRT/CLT and UBIT	30

TABLE OF CONTENTS
(continued)

	Page
E. IRA Loans/Charitable Life Insurance	31
1. Typical Scenario	31
2. Situations for Use	31
3. Interest Payments	32
4. Advantage	32
5. Disadvantages	32
6. Tax Considerations	32
F. Split-Dollar Arrangements With Private Foundations, Trustees or Officer	36
IV. CHARITABLE INSURANCE ARRANGEMENTS WHICH DO NOT PASS MUSTER	37
A. Plain Charitable Split Dollar	37
1. Before August 1, 1969	37
2. Partial Interest Rule Effective August 1, 1969	37
3. Split Dollar Contributions Non-Deductible Under Partial Interest Rule	37
B. Charitable Reverse Split Dollar	37
1. Concept	37
2. Deduction Denied and Excise Tax Imposed By Tax Relief Extension Act of 1999	38
3. The IRS Has Disallowed Deduction for Transfers Before February 9, 1999	38
V. CUTTING EDGE (OVER THE EDGE?) ARRANGEMENTS	40
A. Investor Owned Life Insurance (IOLI)	40
1. Structure of Arrangement	40

TABLE OF CONTENTS
(continued)

	Page
2. Legal Issues Presented	41
3. Is There an Excise Tax Under IRC Section 170(f)(10)(F) of the Code?	42
B. Temporary Charity Owned Life Insurance (CHOLI)	43
1. STOLI Variations	43
2. Typical Arrangement	43
3. Concept	44
4. Lack of Insurable Interest Issue	44
5. Other Non-Tax (or Quasi-Tax) Issues	48
6. UBIT Issues – Charity sells policy to Investors	50
7. UBIT Issues – Charity Defaults on Note	51
8. Is CHOLI a Split Dollar Arrangement?	52
9. Lack of insurable interest	53
C. Congressional and Legislative Attacks on CHOLI, IOLI and STOLI	53
1. Congress – Investigating CHOLI and IOLI	53
2. STOLI and the NAIC Model Act	55
3. STOLI and NCOIL Model Act	56
4. At Least 25 States Have Adopted Anti-STOLI Legislation	56