

## OIL & GAS AND MINERAL RIGHTS

The North Texas Community Foundation can generally accept non-participating royalty interest or overriding royalty interest, but does not accept working interests because of the accompanying investment necessary to extract the minerals as well as potential liabilities associated with production. Additionally, the income produced from a working interest would be considered unrelated business taxable income to the charity.

Documents and information needed for review include:

- joint operating agreement
- legal description of the interest
- ownership records
- leases
- record of royalty payments
- qualified appraisal if the value exceeds \$5,000

*Note: A mineral interest that is not currently producing is considered to have no value for charitable deduction purposes. Once production has started, the donor is entitled to deduct the appraised market value of the interest. A donor that gives a gift of a mineral interest valued at more than \$5,000, and who desires a tax deduction, will need a qualified appraisal to substantiate the value of the gift. In order to claim a charitable deduction for the gift, the donor needs to contribute their entire interest or an undivided percentage of the entire interest. Otherwise, the "partial interest rule" will prohibit a deduction. If a donor owns both the surface and the mineral rights, it is not permissible to solely donate the mineral rights or the surface rights and claim a*

### **Highlights:**

- Charitable deduction based on the appraised fair market value, not the cost basis in the rights
- No capital gains tax
- Reduce your taxable estate



### **HELEN D. AND R.E. WALLACE**

Reevly Elton "Bob" Wallace was a highly-decorated World War II combat veteran. After the war, Mr. Wallace established a coin and stamp store in Fort Worth. Helen, an accomplished coin dealer from Detroit, relocated to Fort Worth to marry Bob. For the next 60 years, they ran R.E. Wallace Stamps & Coins in downtown Fort Worth.

After Helen's passing, proceeds from the estate — including the store and its contents, as well as real estate, financial assets and oil and gas royalties — were used to establish a Field of Interest Fund to protect vulnerable animals. Helen's oil and gas royalties are the gift that keeps on giving. To date, income generated by these interests has been sufficient to offset grants made by the fund, allowing the principle to grow and **ensuring that the creatures Helen loved most would be protected – forever.**