

Unbiased Financial Information Provided by Financial Wisdom.

Consider Charitable Contributions of Appreciated Stock

The organizations you contribute to (whether religious, civic, humanitarian, cultural or academic), can accomplish more with your financial assistance.

One way to boost your charitable contributions is to give shares of appreciated stock instead of cash. You deduct the shares' fair market value and avoid income tax on the capital gain. The charity then sells the shares and has money to use in their efforts. Most brokerage firms and charities are equipped to handle this conveniently.

Here is an example of how this would work. Let us assume you want to make a \$10,000 contribution to your college alma mater. You also have 200 shares of XYZ stock that is currently worth \$10,000 and you paid only \$1000. The stock went from \$5 to \$50.

- If you sell the stock, you will pay \$1,350 in tax (\$9,000 gain times a 15% long term capital gains tax rate), leaving you \$8,650 to contribute to your college.
- If you give the shares to the college, you get a tax deduction for the full \$10,000 (the fair market value), the college gets \$10,000 instead of \$8,650 and there are no capital gains taxes due. You and the charity win.

There are a few rules to remember:

- You must have owned the stock for more than a year. Otherwise, you only get to deduct the basis, not the current fair market value.
- The value of the contribution is the average of the high and low prices for publicly held stock on the day of transfer.
- There are some limits on the deductibility of gifts of appreciated property. This limit is 30% of your adjusted gross income. Amounts that you can't use in the current year can be carried forward to be used in future years.
- This strategy can be used for other forms of appreciated property, but you should consult with your tax advisor.

There can be some tax consequences so it makes sense to consult your tax advisor. Consider this approach to help your favorite charity and save taxes.