

More Information About Gifts of Securities

Giving securities and other assets that have appreciated in value since you have owned them can be one of the most tax-efficient ways to make charitable gifts.

When you donate securities you have owned for more than a year that are worth more than you paid for them, your charitable deduction is normally based on the full value of the securities and capital gains tax is generally not due on the increase in value. Because charitable organizations are exempt from income taxes, there is also no capital gains tax paid when the asset is sold. For that reason, the capital gains tax you would have paid had you sold the securities instead of giving them is eliminated and the entire value of the securities is available for charitable purposes.

Example

Jordan is in the 35 % tax bracket and would like to make a \$ 10,000 gift for charitable purposes. Should the gift be in the form of cash? Or would it be better to give stocks, bonds or mutual funds of the same value that are worth more than they originally cost? Jordan is in the 15 % capital gains tax bracket.

If the gift is in the form of cash, the deduction for federal income tax purposes would be \$10,000, saving \$3,500 in taxes. **If stock valued at \$10,000** was purchased years ago for \$ 2,000 was given instead, the following would result:

- A charitable income tax deduction for \$10,000, saving \$3,500 in taxes (just as in the case of a cash gift), plus
- Avoidance of capital gains tax on the \$8,000 increase in value, a \$1,200 savings (15% capital gain tax rate x \$8,000)

Note that the after-tax cost of the gift of stock worth \$10,000 is just \$5,300 (\$10,000 - \$3,500 - \$1,200). Comparing that to the \$6,500 after-tax cost of giving cash (\$10,000 - \$3,500), it is better to give the stock and thus make the same gift to charity at a \$1,200 lower after-tax cost than the same gift made in the form of cash.

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NOTE: This calculation is provided for educational purposes only. The type of assets transferred, the actual date of the gift, and other factors may have a material effect on the amount or use of your deduction. You are advised to seek the advice of your tax advisors before implementing a gift of this type.

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