

Charitable Giving

If you are considering making a contribution to a charity, you may want to consider donating appreciated stock that has been held for more than one year from your investment portfolio instead of cash. This may result in enhanced income tax benefits.

Generally, the deduction for a donation of property to a charity is equal to the fair market value of the donated property. However, a special rule exists for certain gifts of stock to a private foundation.

If the donated stock has appreciated in value since the time of purchase, you are entitled to a charitable deduction equal to the stock's fair market value. In addition, you may not have to recognize any of the appreciation on the donated stock if you donate the stock directly to the charitable organization.

For example, Robert and Michael each plan on donating \$10,000 to their favorite charity. Each also owns \$10,000 worth of stock in ABC, Inc. They each bought the stock for \$2,000 several years ago.

- Robert sells his stock and donates the \$10,000 cash. Result: He is entitled to a \$10,000 charitable deduction, but must report his \$8,000 capital gain on the stock.
- Michael, on the other hand, donates the stock directly to the charitable organization. Result: He is entitled to the same \$10,000 charitable deduction. However, he is not subject to any tax on the capital gain.

So, as you can see, how you donate the property to charity may have a significant tax difference for



Maximize the tax benefits from your charitable gifts.

you. The amount of the charitable deduction for stock held for more than one year is limited to 30 percent of your adjusted gross income (20 percent for “qualified appreciated stock” contributed to a private foundation) for that year. Any excess may generally be carried forward for five years.

Keep in mind that you must complete your gift to a charity in the year that the donation is made in order to be eligible to claim a charitable contribution on your tax return for that year. If the donation is made at or near year-end, you should be particularly aware of the December 31 deadline if you're donating stock, as special tax rules apply:

- If you unconditionally deliver or mail a properly endorsed stock certificate to a charity, the charity's agent or authorized representative, the gift generally is considered completed on the date of delivery or on the date it is mailed.

- If you bring the stock certificate to your bank or broker, or to the corporation that issued the stock, in order to transfer it to the name of the charity, the gift is considered completed on the date the stock is transferred on the books of the corporation.

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There are several gifting alternatives you might want to consider rather than making a direct contribution to a charity. Please contact us to discuss these options.

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