

Charitable Stock Donations Benefit Everyone

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If you donate funds to charity or have considered the gift of giving, then consider making a gift of appreciated stock. The gifting of stock to a charity has several advantages over cash donations. In addition to the gratification of supporting a worthy cause, the transfer of appreciated stock will provide increased tax benefits, giving more to the charity at less of a cost to the giver. If serious about endeavoring to be a real philanthropist, consider setting up a Charitable Trust. A Charitable Trust would offer the ability to make decisions about the assets within the trust. Thus insuring the intended funds will be used in the manner intended.

Gifting stock to a favorite charity is an excellent use of low-basis stock. Donating shares of appreciated stock, owned for one year or more, to a charitable organization, allows for a tax return deduction of the full current market value at the time of the contribution. This is a great deal for both the grantor and the charity, because the organization receives the entire benefit of the gift and the grantor avoids gains taxes. Official charitable organizations, 501(c)(3), are not taxed when they sell stock therefore, no one pays taxes.

For example, stock was purchased ten years ago for \$10,000. Its current value is \$150,000. If the stock is sold, this would create a long-term capital gain income of \$140,000, which will be taxed ($\$140,000 \text{ gain} \times 0.15 \text{ tax rate} = \$21,000$ of taxes owed). However, if the stock is donated to charity, a charitable contribution claim of \$150,000 and \$21,000 in taxes has been avoided. The charity will be overjoyed to receive the stock and can immediately sell it. Since a qualified nonprofit pays no capital gains taxes, they will get the use of \$150,000 instead of \$129,000 (the difference between the current market value and the capital gain tax).

The gift of appreciated stock provides two potential income-tax advantages. The first is the benefit of receiving the fair market value of the stock as a charitable tax deduction. Secondly, the avoidance of taxation of the capital gain on the appreciated stock that would result if sold. One may wonder what if the stock doesn't appreciate and loses value instead. There are tax benefits for gifting stock that has gone down in value since the time purchased as well. First, sell the stock then donate the proceeds. Then claim a capital loss deduction for the decreased value of the stock and a charitable contribution for the gift proceeds. When devalued stock is donated, the loss can't be deducted.

Wasting money in times like these is simply not an affordable option. Neither is giving up on supporting worthy causes through charitable gifts an option. The key is to make the most of the gift while benefiting both the giver and receiver.