

## Potential tax benefits of donating stock to charity creates a “win-win” for the church and the donor

Most people are aware of the tax benefits of donating to charities. Within certain limits, amounts donated to qualifying charities (like the church) can generally be deducted from taxable income which may reduce the amount of tax owed. What is less widely known, however, is that there can be an additional tax benefit by donating appreciated long term assets (like stocks) to these charities. In general, stocks held for longer than *one year* that are gifted to qualified charities can be deducted from income at their fair market value on the date they are gifted (subject to limits based on income). The added benefit is that one can avoid paying capital gains tax on these stocks if they have appreciated from the time of purchase. This can be particularly attractive if a stock has appreciated a lot since the time of purchase, or as a way to reduce one’s position in a stock that has grown to a larger percentage of their portfolio than they would like.

### **Example of Potential Benefit**

The hypothetical example below illustrates the potential benefit of donating appreciated stock to the church. This example is based on a married couple in the highest income tax bracket donating a security with a cost basis of \$4,000 that has appreciated over a holding period greater than 1 yr to \$10,000 (\$6,000 capital gain). In both cases \$10,000 worth of securities are relinquished. Gifting them directly vs. selling them and donating the proceeds resulted in \$1,428 more for the charity and \$1,994 more tax benefit for the donor.

	Contribute securities directly to charity	Donate Cash: Sell securities and donate proceeds
Current fair market value of securities	\$10,000	\$10,000
Capital gains and Medicare surtax paid (23.8%)	\$0	\$1,428
Charitable Contribution/Charitable Deduction	\$10,000	\$8,572
Value of Charitable Deduction Less Capital Gain Taxes Paid (Assumes donor is in the 39.6% federal income tax bracket)	\$3,960	\$1,967

\*This example was taken from Fidelity at [www.fidelitycharitable.org](http://www.fidelitycharitable.org) and is illustrative only. It does not take into account state and local taxes, alternative minimum-tax, or limitations to itemized deductions. Please consult your tax advisor regarding your specific legal and tax situation.

### **How do I gift stock to the church?**

Gifting stock to the church is as simple as filling out a form and mailing it to your financial institution. You need only indicate which shares and how many you wish to donate along with providing the church’s receiving account info. The form can be obtained on the church website at [\(link\)](#) or by contacting Tammy Vergeront at [tammy@immanuel.us](mailto:tammy@immanuel.us). Be sure to keep a record of the date these shares are transferred and what the market value of the shares were on the date of transfer to use when filing your taxes. You also need to be sure to obtain a written acknowledgement from the charity for your donation, which includes language indicating that no goods or services were received in exchange for this donation.