Giving Appreciated Securities: The Last, Best Tax Break?
Giving Appreciated Assets: The Last, Best Tax Break?

You don’t have to write a check to make a gift to Pomona College. This is a must-read if you are deciding whether to give cash, stock or other appreciated assets.

Take advantage of a notable double incentive offered by the IRS, and use appreciated securities to make your gift. You’ll be able to claim a charitable tax deduction for the full, fair market value of the securities, and you’ll pay no capital gains tax on the transfer. Result? The “cost” of your gift is less than the deduction you’ll receive for it — and less than the cost of making the identical gift in cash.

Example:

Dr. McNamara owns stock with a fair market value of $20,000 that she purchased for $7,500. If she contributes the stock to Pomona College, she will be able to claim a tax deduction for the full $20,000 that her stock is worth today. In addition, she will not be liable for tax on the $12,500 capital gains upon transfer of her stock. By using stock instead of cash, she has delivered $20,000 to Pomona College and secured a tax deduction in that amount, at a “cost” to her of only $7,500.

Keep these planning points in mind when you consider using securities for your gift:

• You can give us publicly traded stock, bonds, or mutual fund shares.

• To take full advantage of the tax benefits, give securities you have owned for longer than one year. The IRS sets that as the holding period for long-term capital gain property. If you donate securities that you have held for less than a year, your charitable deduction will be limited to your cost basis in the securities.

• Don’t sell the stock first! Even though you give us the proceeds as a gift, the IRS will impose capital gains tax on your sale, wiping out the benefits of this arrangement.

• How will your gift of stock be valued? As the average of the high and low per-share price for the stock on the day you transfer it to us. If the high was $75 and the low $72 on the day you made your gift, your deduction will be $73.50 per share. If you give us shares in a mutual fund, they will be valued at the closing price of the shares on the day of transfer.

• The IRS holds that donors can deduct gifts of appreciated securities up to 30 percent of their adjusted gross income (your gross taxable income). So, if your adjusted gross income will be $100,000 this year you will be able to deduct up to $30,000 in gifts of stock. A gift in excess of the 30 percent amount is not wasted, however, because the IRS allows you to carry forward excess deductions through the five tax years following the year of your gift. (The IRS allows donors of cash gifts to deduct them up to 50
The Next Step

Let us show you how you can take advantage of this great giving incentive.

http://planyourlegacy.org
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