

Appreciated Stock (and other appreciated assets)

Goal: Avoid capital gains tax on securities sale.

Benefit: No capital gains tax and charitable deduction based on fair market value.

The gift of an appreciated asset, often common stock or mutual fund shares, is a valuable way to make a contribution to a charitable organization and receive tax benefits based on the value of the asset(s). The process is very simple - please contact the McLeod Foundation Office at 843-777-2694 to express your wishes for the gift and to receive transfer information.

Suppose a couple in this example had 300 shares of XYZ Corporation that they purchased at \$15 a share some years ago. The current value in today's market is \$36 a share. If they sold the stock in the market, they would have a taxable, long-term capital gain on the difference between their cost and what they would receive from the sale ($\$36$ minus $\$15 = \21 capital gain per share. $300 \text{ shares} \times \$21.00 = \$6,300$ in capital gains).

The donors could sell the stock, pay the tax on the capital gain, and either keep or donate the proceeds. If, however, instead of selling the stock, they gave the 300 shares to charity, they would not incur any capital gains and would be able to deduct the current value ($300 \text{ shares} \times \$36 = \$10,800$) on their tax return as a charitable gift. By donating the stock, the charity receives a larger gift than it would receive if the donors first sold the stock and then donated the proceeds after deducting the capital gain taxes. Also, the donors receive a greater tax deduction by giving the stock directly to the charity and avoiding the capital gain tax.

While the gift of appreciated assets often is stock, other marketable assets (called tangible personal property, see below) can be utilized as gifts with the possibility of tax benefits. These are assets such as real estate, antiques, coin or stamp collections, and art. However, these are reviewed on a case-by-case basis. For more information about gifts of any appreciated assets, please contact us so we can respond to your specific needs.