DES MOINES HERITAGE TRUST

Donating Gifts of Appreciated Stock

Since the height of the recession in 2007, stocks have almost doubled in value. If you're fortunate enough to own stock that has gone up in value since you purchased it, you should consider giving some or all of it to your favorite charity. This will not only help a good cause, but enable you to reap substantial tax savings.

Gifts of stock and other securities are a popular way to give to charity. Gifts of securities include not only publicly traded stocks like Microsoft or Wal-Mart, but gifts of mutual funds, Treasury bills and notes, corporate and municipal bonds, and stock in non-publicly held companies. It's extremely easy to give stocks and other securities that are marketable—that is, are sold to the public on stock exchanges or over-the-counter markets. No matter how large the donation, there is no need to obtain an appraisal. The value is simply based on what the stock or other security sold for on the exchange on the day of the donation (the average price between the highest and lowest quoted selling prices on the donation day is used).

Stock that Has Gone Up In Value

There are very favorable tax rules for donors who want to donate long-term stock (stock they have owned for more than one year) that has appreciated in value. Basically, the donor never has to pay capital gains on the appreciated stock. This can be a tremendous tax benefit and great incentive for donors to give stock to nonprofits. Here's how it works: If someone owns stock for more than one year that has gone up in value, that person can donate the stock to a nonprofit, get a deduction equal to the fair market value of the stock at the time of the transfer (its increased value), and never pay capital gains tax on the appreciated value of the stock. The nonprofit will never owe that capital gains tax either. It can take the stock and either sell it right away and not pay any tax, or it can hold on to it—but it will never owe capital gains tax on the appreciated value the donor realized.

Example: Ari owns 1,000 shares of Evergreen stock, which is traded on the New York Stock Exchange. He paid $1,000 for the shares back in 2005 and they are worth $10,000 today. He gives the stock to his favorite nonprofit, the Red Cross, and deducts its $10,000 fair market value as a charitable contribution. Ari need not pay the 15% capital gains tax on the $9,000 gain in the value of his stock. The Red Cross sells the stock and pays no taxes on the $10,000 it receives. Had Ari sold the stock he would have had to pay a $1,350 long-term capital gains tax on his $9,000 profit (15% x

$9,000 = $1,350). This would have left him only $8,650 from the stock sale to donate to nonprofit.