

Donation of Appreciated Stock

Donating stock to a qualified charity instead of cash can offer several significant financial and tax benefits. Here are the main advantages:

Avoid Capital Gains Taxes

- If you donate appreciated stock (held longer than 1 year), you **avoid paying capital gains tax** on the appreciation.
- Example: If you bought stock for \$1,000 and it's now worth \$5,000, you skip the capital gains tax on the \$4,000 gain.

Receive a Full Fair Market Value Deduction

- You can typically deduct the **full fair market value** of the publicly traded stock as a charitable contribution, up to 30% of your adjusted gross income (AGI) for the year.
- Using the above example, you may deduct the full \$5,000—even though you originally paid \$1,000.

Increase Giving Power

Since you're donating pre-tax dollars and avoiding capital gains, this method often lets you give **more at a lower after-tax cost**.

Support the Charity Without Reducing Cash Reserves

Donating stock allows you to make a meaningful gift **without impacting your available cash**, which can be useful for cash flow/liquidity planning.

Portfolio Rebalancing

It's a tax-efficient way to reduce concentrated stock positions or rebalance your portfolio without incurring taxes yourself.

Potential for Estate Tax Benefits

If stock is donated as part of an estate plan, it may reduce your taxable estate and support charitable causes you care about.

Things to Keep in Mind:

- **Only long-term gains (held >1 year)** qualify for the full deduction.
- The charity must be equipped to **receive stock gifts** (many are, or you can use a donor-advised fund).

Documentation and correct receipting are required for Donors to benefit from the charitable contribution deduction. IRS Publication 1771