

Donating stock to Charitable Organizations can give significant tax advantages to tax payers:

1) By avoiding Capital Gains tax on the donated stock; By giving long-term appreciated stock to a charity, you get an additional tax benefit. That's because you'll avoid paying tax on the "built-in" capital gain of the investment.

2) Claiming deduction on donation.

Both Publicly traded stock and closely held stock can be donated. Maximum benefit is realized only if these stocks are long term (i.e. held for more than 1 year) and have appreciated over time.

The table below gives an example of the benefits from stock donation.

(Assumptions : Capital Gains Tax @ 15%, Personal Income tax rate @ 28%), FMV: Fair market value, CP: Cost Price.

	Publicly-traded stock donated (FMV > CP). (DONATED IN STOCKS)	Publicly-traded stock sold and proceeds donated (FMV > CP). (Proceeds Donated)	Publicly-traded stock sold and proceeds donated (FMV<CP) (Sold at Loss)
FMV of Stock	\$ 100,000	\$100,000	\$8,000
Cost of Stock	\$10,000	\$10,000	\$10,000
Amount donated to charity	\$100,000	\$ 86,500	\$8,000
Amount available for deduction	\$ 100,000 subject to max of 30% of AGI. Excess contribution can be carried forward for next 5 years.	\$86,500 subject to max of 30% of AGI. Excess contribution can be carried forward for next 5 years.	\$8000 subject to max of 30% of AGI. Excess contribution can be carried forward for next 5 years.
Capital Gains Tax paid, avoided	No Tax	\$ 13500 paid (i.e. \$90000 x 15%) .	\$ 2000 capital loss claimed against income
Savings in Income Tax from charitable donation (amount donated x 28%)	\$28,000	\$24220	\$ 2240

This information is not a substitute for your tax planning. Please consult your CPA for additional details or call Mr. Satya Narayan, CPA if you want more details on donating the stocks to temple.