



# Consider Making a Charitable Donation of Appreciated Stock to the Hindu Samaj Temple Building Project

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***Most important consideration:***

- Everyone's tax situation is different
- Consult your own tax advisor before making any final decisions about charitable donations

US Bank cannot give you tax or legal advice.



# IRS Publication 526: Charitable Contributions

[www.irs.gov](http://www.irs.gov)

**Table 1. Examples of Charitable Contributions—A Quick Check**

Use the following lists for a quick check of whether you can deduct a contribution. See the rest of this publication for more information and additional rules and limits that may apply.

<p style="text-align: center;"><b>Deductible As Charitable Contributions</b></p>	<p style="text-align: center;"><b>Not Deductible As Charitable Contributions</b></p>
<p>Money or property you give to:</p> <ul style="list-style-type: none"> <li>• Churches, synagogues, temples, mosques, and other religious organizations</li> <li>• Federal, state, and local governments, if your contribution is solely for public purposes (for example, a gift to reduce the public debt or maintain a public park)</li> <li>• Nonprofit schools and hospitals</li> <li>• The Salvation Army, American Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts of America, Girl Scouts of America, Boys and Girls Clubs of America, etc.</li> <li>• War veterans' groups</li> </ul>	<p>Money or property you give to:</p> <ul style="list-style-type: none"> <li>• Civic leagues, social and sports clubs, labor unions, and chambers of commerce</li> <li>• Foreign organizations (except certain Canadian, Israeli, and Mexican charities)</li> <li>• Groups that are run for personal profit</li> <li>• Groups whose purpose is to lobby for law changes</li> <li>• Homeowners' associations</li> <li>• Individuals</li> <li>• Political groups or candidates for public office</li> </ul>
<p>Expenses paid for a student living with you, sponsored by a qualified organization</p>	<p>Cost of raffle, bingo, or lottery tickets</p>
<p>Out-of-pocket expenses when you serve a qualified organization as a volunteer</p>	<p>Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups</p> <p>Tuition</p> <p>Value of your time or services</p> <p>Value of blood given to a blood bank</p>



# Basic requirements:

- 501(c)(3) charitable organization
- File Form 1040
- Itemize deductions (Schedule A)
- Donate appreciated stock held for more than one year (a gift of long-term appreciated stock may provide the maximum tax benefit)
- Yearly charitable deductions for long-term appreciated stock limited to 30% of adjusted gross income (AGI) (excess may be carried forward up to 5 additional years)
- Must include Form 8283



# Potential benefits

- May potentially reduce your current income tax liability.
- May help you avoid paying tax on the capital gain on the investment.
- Depends on your tax bracket (the higher your tax bracket, the bigger the potential tax benefit).
- Preserve cash for other purposes and still meet your charitable goals.

## Example #1: Gift of cash

**Assumptions:** You and your spouse's adjusted gross income is between \$250,000 and \$413,350 (married filing jointly), so your marginal tax bracket is 33% (federal) and 9.85% (state). At this income level, your capital gains are taxed at 15%, and are also subject to a 3.8% Medicare surtax on investment income.

**Example 1** assumes the gift is a \$10,000 check.

	<u>Federal Income Tax Saved</u>	<u>State Income Tax Saved</u>	<u>Capital Gain Tax Avoided</u>	<u>Medicare Tax on Investment Income Avoided</u>
<b>Example 1: \$10,000 Cash</b>	\$10,000 x 33% = <b>\$3,300</b>	\$10,000 x 9.85% = <b>\$985</b>	None	None

**Net Tax Benefit to Donor: \$4,295**

## Example 2: Gift of long-term appreciated stock

**Same Assumptions:** You and your spouse's adjusted gross income is between \$250,000 and \$413,350 (married filing jointly), so your marginal tax bracket is 33% (federal) and 9.85% (state). At this income level, your capital gains are taxed at 15%, and are also subject to a 3.8% Medicare surtax on investment income.

**Example 2** assumes the gift is long-term appreciated stock with a cost basis of \$2,000 and a fair market value of \$10,000 on the date of the gift.

	<b>Federal Income Tax <u>Saved</u></b>	<b>State Income Tax <u>Saved</u></b>	<b>Capital Gain Tax <u>Avoided</u></b>	<b>Medicare Tax on Investment Income <u>Avoided</u></b>
<b>Example 2: \$10,000 Stock</b>	$\$10,000 \times 33\% = \mathbf{\$3,300}$	$\$10,000 \times 9.85\% = \mathbf{\$985}$	$\$8,000 \times 15\% = \mathbf{\$1,200}$	$\$8,000 \times 3.8\% = \mathbf{\$304}$

**Net Tax Benefit to Donor: \$5,789**

(Difference of \$1,504)



# Putting it all together – Another way to look at these numbers:

	<b>Example 1: Donate \$10,000 cash or sell \$10,000 securities and donate proceeds</b>	<b>Example 2: Donate \$10,000 securities directly to charity</b>	<b>Option 3: Donate securities to create an approximate <u>net</u> cost of gift = \$10,000 (still assumes \$8,000 capital gain)<sup>1</sup></b>
<b>Current fair market value of cash or securities</b>	\$10,000	\$10,000	\$20,200
<b>Capital gains and Medicare surtax paid</b>	\$1,504	\$0	\$0
<b>Net charitable deduction</b>	\$8,496	\$10,000	\$20,200
<b>Net cost of gift (Gift minus tax benefits)</b>	\$5,705	\$4,211	\$10,040.30

<sup>1</sup> Assumes cost basis of \$12,200 with a fair market value of \$20,200.

A “win-win” for donor and charity!



***Another option, depending on your age (70½+) and financial situation:***

***Consider donating your Required Minimum Distribution (RMD) from your IRA account***

***(consult with your financial advisor)***

# TIMING

*To best manage your finances and maximize your gift, you may want to consider:*

- 2016 gift before December 31, 2016.
- 2017 gift after January 1, 2017.



***Most important consideration:***

- Everyone's tax situation is different
- Consult your own tax advisor before making any final decisions about charitable donations



***How to make a donation of  
long-term appreciated stock to  
the Hindu Samaj Temple***



## Contact information:

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