McLaren
BAY MEDICAL FOUNDATION

Gifting Appreciated Stock

A Way to Avoid Capital Gains Tax While Supporting Your Community

Prepared for McLaren Bay Medical Foundation by:

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Weinlander Fitzhugh is a full-service accounting and financial consulting firm. With more than 70 years of experience, WF has expertise and insight in a complete range of services such as accounting, auditing, tax planning and preparation, management consulting, retirement plan administration, financial planning and more. Since 1986, Dave has been providing services for WF clients, as well as being an active community volunteer. Currently, Dave serves as Treasurer of the McLaren Bay Medical Foundation Board.

Donating appreciated stock is one of the easiest ways to give more to causes you care about.

As the stock market increases, the needs of charities and not-for-profit organizations also increase to support their intended purpose. Making donations of stock holdings instead of cash provides more substantial support to each selected charity and provides you a larger tax deduction.

After you have held stock for more than one year and the value has increased over your original purchase price (i.e. an unrealized gain), at the time of donation, the tax deduction would equal the fair market value of that stock. By donating appreciated stock to a charity, you would avoid paying the capital gains tax connected with the sale of the stock.

Tax Strategy for Appreciated Securities:

GIFTS OF STOCK

Many donors have found that making their annual gift with a stock transfer makes good financial sense. You may be able to:

- Receive an income tax deduction for the value of the transferred stock.
- Avoid capital gains tax, regardless of how much the stock has appreciated.

Let's provide an example to clarify the impact of the stock donation. In this example, you can either (a) donate the stock held for more than one year or (b) sell the stock first, pay the related taxes and donate the remaining proceeds. In addition, the stock is currently valued at $25,000. Your initial purchase price for the stock was $10,000. As a result, you have an unrealized capital gain of $15,000.

If you (a) donate the stock, you would receive a charitable contribution deduction of $25,000 and the charity would receive the entire $25,000 to use for its intended purpose.

If you (b) sell the stock first, you would receive the full $25,000, but would then be required to pay federal and state income taxes on the capital gain ($15,000). Let's assume the federal and state tax rate in Michigan is 24%, the tax on the gain would be $3,600. The resulting charitable contribution deduction and amount available to the charity would be $21,400 ($25,000-$3,600).

As you can see, providing the appreciated stock directly to the charity, provides for a larger impact and avoids the related income taxes that reduces the value of the donation being gifted.

It is recommended to discuss this gift option with your financial advisor or accountant to determine the appropriate amount and timing of this type of gift.

To learn more about how you can structure a gift for McLaren Bay Medical Foundation using IRA QCDs, appreciated stock or other assets, please contact:
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