



## TAX BREAKS 101:

### GIFTING LONG TERM APPRECIATED SECURITIES

Many find tax season to be so...taxing...that they hire an accountant to file their returns. Your accountant knows the breaks to help your bottom line most of the time, but may neglect to inform you of an exceptional way to simultaneously save you money while also greatly benefiting your favorite nonprofit - like HHF!

The immediate tax deduction on a cash gift usually comes to mind first at the mention of charity-related tax breaks, but did you know that gifting long-term appreciated securities may result in a better payoff at the end of the year?

When you take an immediate tax deduction, all or part of your charitable contribution is deducted from your taxable income, depending on individual characteristics like your tax bracket. To take this deduction, simply save the receipt (or thank you letter) you receive from the benefiting organization, listing the name of organization and the date and amount of your contribution.

A lesser known method of receiving a tax break – often resulting in *more* tax savings while benefiting the charitable organization just the same - is gifting long-term appreciated securities (assets held for more than one year: could be stocks, bonds or mutual fund shares). The main reason to consider donating securities that have grown significantly in value instead of selling them is that you can avoid the capital gains tax *and* take a deduction of the full market value of the security (even if it was bought for significantly less).

To illustrate the difference, consider two donors in the same tax bracket, one who donates \$10,000 cash and the other who gives the same amount in stock shares. Both donors receive charitable tax savings, but the stock gift also saves an additional \$1,200 by avoiding the federal capital gains taxes (plus additional savings from any state capital gains taxes and transaction fees). The actual 'cost' to the donor for a stock gift donation is less than \$6,000, compared to \$7,200 for the cash gift. An example is provided below.

	Cash Gift	Stock Gift
<b>Gift Amount</b>	\$ 10,000	\$ 10,000
<b>Charitable Tax Savings at 28% bracket</b>	\$ 2,800	\$ 2,800
<b>Capital Gain Tax Savings</b>	N/A	\$ 1,200
<b>Net 'Cost' of Gift*</b>	<b>\$7,200</b>	<b>\$6,000</b>

\*NOTE: This example does not show the *additional savings* that may result from avoiding (1) state capital gains taxes and (2) the transaction costs of selling the securities.

As we move into tax season and re-connecting with the accountant, be sure to add the stock gift possibility into the options for tax savings and philanthropic giving choices, because everyone will be a winner!

*It is always advisable to verify your decisions with a legal advisor or accountant.*