

The Tax Benefits of a Gift of Stock

Mr. and Mrs. Sample have a block of stock purchased several years ago for \$3,000.

In spite of the ups and downs of the market, the stock has done very well for the couple. Today, it is worth \$10,000. However, the stock pays only 2% or \$200.00 in dividends annually.

As the Samples closely examine their financial position, two other realities are being considered.

- They face a significant tax liability at year end.
- They would like to make charitable contributions to a number of qualified organizations this year.

The Samples could sell the stock and use the proceeds to fund their philanthropic desires. However, as indicated by Illustration 3,

Illustration 3: Capital Gains Tax

Stock		Sale of Stock	
Value	\$10,000	Value	\$10,000
Cost	\$3,000	Tax	\$1,050
Gain	\$7,000	Net	\$8,950

selling the stock results in capital gains tax on the \$7,000 in appreciated value, leaving the Samples with \$8,950, a significant reduction in the original \$10,000 value.

However, by gifting the stock, the Samples can accomplish two objectives:

- A reduction of income taxes due on this year's Form 1040.
- A charitable contribution of \$10,000

Illustration 4 shows how an outright gift of the stock maximizes the value of the asset and results in a tax savings for Mr. and Mrs. Sample. The stock is transferred to charity and the capital gains tax is bypassed, saving \$1,050 and resulting in a gift to charity of \$10,000.

Mr. and Mrs. Sample receive a charitable income tax deduction of \$10,000, resulting in an actual cash savings of \$3,000 when this year's tax return is filed.

Illustration 4: Gift of Stock

Stock		➔	Gift to Campus Crusade for Christ	
Value	\$10,000			\$10,000
Cost	\$3,000			
Gain	\$7,000			

Benefits to Donor:

Bypass capital gains tax	\$1,050
Charitable Deduction	\$10,000
Potential income tax savings	\$3,000

Turning Taxes Into Treasures

*Converting Capital Gains Taxes To
Ministry Treasures*



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Turning Taxes Into Treasures

Thank you for your interest in converting capital gains taxes to ministry treasures. Appreciated assets are often a very cost-effective way to give.

With appreciated assets, you have a lower cost basis in the asset than the current fair market value. On making a ministry gift, you will have a deduction based on the full fair market value as opposed to what you initially paid for the asset. By giving the asset to a qualified charity, the deduction can significantly help reduce your income tax liability, and you will avoid paying capital gains tax.

The following illustrations will show how this concept applies to gifts of real estate and stock.

If we can answer questions for you, please do not hesitate to call. Our staff can walk you through examples for making entire gifts of appreciated assets or for making partial gifts. Our desire is to equip you with information necessary to help you best manage the assets God has entrusted to you.

The Tax Benefits of a Gift of Land

In today's market, many friends find themselves owning land purchased a number of years ago. Often, this land has appreciated significantly in appraised and taxable value; yet it may produce little or no annual income.

Selling the land is an option. However, this will trigger the long-term capital gains tax. In Illustration 1 below, the full implication of a sale can be seen. The land originally purchased for \$20,000 is valued at \$200,000 today.

An outright sale results in a capital gains tax of \$27,000 on the appreciated value. In other words, the donors walk away with a little over \$170,000, significantly less than the \$200,000 in value the land represented.

Illustration 1: Capital Gains Tax

Land		Sale of Land	
Value	\$200,000	Value	\$200,000
Cost	\$20,000	Tax	\$27,000
Gain	\$180,000	Net	\$173,000

In a case like this, a charitable gift can leverage the real value of the land. Illustration 2 shows how. The donors bypass the \$27,000 in capital gains tax, preserving 100% of the current value.

Illustration 2: Gift of Land

Land		Gift to Campus Crusade for Christ	
Value	\$200,000		\$200,000
Cost	\$20,000		
Gain	\$180,000		

Benefits to Donor:

Bypass capital gains tax	\$27,000
Charitable deduction	\$200,000
Potential income tax savings	\$60,000

In addition, the donors receive a charitable income tax deduction to offset other tax liabilities. This deduction is equal to the fair market value of the land—\$200,000—and may provide as much as \$60,000 in actual tax savings in the year of the gift.

The charity, now holding the deed to the land, is able to sell the property and benefit from the full \$200,000 value of the asset.

So, in effect, the land has been leveraged to deliver about \$260,000 in combined tax savings to the donor and philanthropic value to charity.

(It should be noted that there may not be any prearranged sale on behalf of the charity, and the property must be transferred free of obligation.)

It is even possible to gift a portion of the land, engage in a joint-sale, and receive proceeds from the sale.