



Donating Appreciated Publicly Traded Securities to Charity

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Donating Appreciated Stock to Charity

For philanthropically-minded investors, publicly traded appreciated stock can be among the most tax advantaged items to donate to charity. Contributing such assets may enable the donor to potentially eliminate capital gains tax liability on the sale of the assets, enjoy a current year tax deduction, if the donor itemizes, while allowing the charities they support to receive the most money possible.

What Is Appreciated Stock?

Appreciated securities are investments that have increased in value from the time they were purchased, and can take the form of publicly traded stock, exchange-traded funds (ETFs), closely held stock, or mutual funds. For example, if a stock was purchased for \$30 per share and sold for \$50 per share, the stock has appreciated by \$20 per share. When appreciated stock is sold, the owner generally realizes capital gains equal to the appreciation and may be liable for either short-term or long-term capital gains taxes, depending on the length of time the investment was held.

Charitable Tax Planning Opportunity: Donate Shares of Appreciated Stock to Charity

Taxpayers who are considering current year charitable contributions and are also facing long-term capital gains taxes on appreciated stock that they have held for more than a year can realize a much more favorable income tax result and charitable impact by making a timely donation of the appreciated stock directly to charity. If a donor sells the stock first and then donates the cash proceeds to charity, the donor may be subject to capital gains taxes on the proceeds from the sale of the stock. But if a donor contributes appreciated stock held for more than one year directly to a donor-advised fund account at Schwab Charitable™ or another public charity, the donor can potentially eliminate capital gains on the sale and deduct the fair market value (FMV) of the donation, if the donor itemizes.



Note that donated publicly traded partnerships—in particular master limited partnerships (“MLPs”)—are an important exception to the typical fair market value deduction for long-term gain securities. For those who itemize, the charitable deduction must be reduced by the amount of ordinary income that would have been realized if the property had been sold at fair market value on the date contributed. For MLPs with substantial accumulated depreciation, this can greatly reduce the charitable deduction, for those who itemize. Additionally, if the partnership carries debt (often the case with MLPs), the donor may be liable for taxes.

Hypothetical Example *(assuming investment has been held for more than a year)*

	Sell stock and donate net proceeds (cash) to charity	Donate stock to Schwab Charitable donor-advised fund account
Current fair market value of securities	1,000 shares @\$55 per share* = \$55,000	1,000 shares @\$55 per share* = \$55,000
Federal long-term capital gains tax paid[†] (20%) Assumes a cost basis of \$5,000 and long-term capital gains of \$50,000	\$10,000	\$ -
Charitable contribution/deduction[‡]	\$45,000	\$55,000
Value of charitable deduction, for those who itemize[§] Assumes donor is in the 37% federal income tax bracket	\$16,650	\$20,350
Total donor tax savings (value of deduction less capital gains tax paid)	\$6,650	\$20,350

With a direct donation to charity or a donor-advised fund account, the donor's federal income taxes are reduced by an additional \$3,700 and the charity receives \$10,000 more.

* This value is hypothetical, for illustrative purposes only, and does not account for possible valuation discounts due to restrictions on the shares, if any. It should not be used in connection with considering whether to buy, sell, or hold appreciated securities.

† Assumes cost basis of \$5,000, that the investment has been held for more than a year and that all realized gains are subject to the 20% federal long-term capital gains tax rate. Does not take into account any state or local taxes, or potential Medicare net investment income surtax.

‡ Assumes no restrictions on the sale of the contributed shares. If there are restrictions, the value of the deduction, for those who itemize, will be reduced. Certain federal income tax deductions, including the charitable contribution, are available only to taxpayers who itemize deductions, and may be subject to reduction for taxpayers with adjusted gross income (AGI) above certain levels. In addition, deductions for charitable contributions, for those who itemize, may be limited based on the type of property donated, the type of charity, and the donor's AGI. Charitable contributions to public charities (including donor-advised funds) of capital gain property held for more than one year are usually deductible at fair market values, for those who itemize. Itemized deductions for capital gain property held for one year or less are usually limited to cost basis.

§ Assumes donor is subject to the 37% federal income tax bracket. Does not take into account state or local taxes. Certain federal income tax deductions, including the charitable contribution, are available only to taxpayers who itemize deductions, and may be subject to reduction for taxpayers with adjusted gross income (AGI) above certain levels. In addition, deductions for charitable contributions may be limited based on the type of property donated, the type of charity, and the donor's AGI.

Timing of Your Donation and Other Considerations

- In order to realize the significant tax savings from the charitable donation of appreciated stock, donors must transfer the appreciated stock held for more than one year directly to a donor-advised fund or to another charity and should not sell the stock.
- Donors should not enter into any arrangement that would legally compel the recipient charity to dispose of the stock upon receipt. This kind of "pre-arranged sale" could reduce or eliminate the tax benefits to the donor of making the donation.
- If the stock to be donated is or will be held in a Schwab brokerage account and the donor wishes to transfer it to an existing donor-advised fund account at Schwab Charitable, this can be facilitated online and processed within a day. If the donor does not currently have a charitable account, one can be opened within 24 hours.
- Upon receipt of the stock, Schwab Charitable controls the sale process. The policy is generally to sell contributed securities promptly, but Schwab Charitable reserves the right to sell at any time.
- Schwab Charitable can accept restricted stock, including stock subject to a lock-up agreement, but such restrictions may impact the valuation of the stock for charitable deduction purposes unless the restriction is cleared just prior to contribution.
- Donating appreciated stock held for one year or less or depreciated stock does not have the same tax advantages as donating appreciated stock held for more than one year. Donors who hold such stock should consult their tax advisors prior to contributing it to charity.

Learn More

For more information about the advantages of contributing appreciated securities and for a detailed consultation about your specific situation, please call us at [800-746-6216](tel:800-746-6216) or visit us at www.schwabcharitable.org.

Individual circumstances may vary, and those interested in donating appreciated securities to charity should consult with a tax advisor about their particular situation.

A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation. Consult your tax advisor for more information.

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. Where specific advice is necessary or appropriate, Schwab Charitable recommends consultation with a qualified tax advisor, CPA, Financial Planner or Investment Manager.

Schwab Charitable is the name used for the combined programs and services of Schwab Charitable Fund™, an independent nonprofit organization. The Schwab Charitable Fund has entered into service agreements with certain affiliates of The Charles Schwab Corporation.