

The Efficiency of Giving Stock

Double Tax Benefits Mean Low Cost, High Impact

Appreciated assets such as stock are subject to long-term capital gains tax at the time of sale, if held for one year or longer. Most taxpayers who liquidate their stock face a **15%–23.8%** tax rate, plus possible state taxes as high as **13.3%**. This tax can erode the stock's value significantly.

CAPITAL GAINS TAXES ARE OPTIONAL!

Did you know that capital gains taxes are optional? One way to bypass this tax is by donating the stock to the ministry or nonprofit of your choice. But you must donate the stock itself before the stock is sold. The one who owns the stock at the time of sale is the one who is responsible to pay the tax. So, when you give away stock, you give away the tax liability with it. And the nonprofit does not have to pay the tax when they liquidate the stock.

Let's look at an example of a stock liquidation compared with a stock donation to charity.

Outright Donation of Appreciated Asset

Low cost donations (tax deduction + capital gains tax avoidance)

Fair Market Value	\$100,000
Cost basis	\$60,000
Appreciation	\$40,000
Capital Gains Tax	22% (15% federal + 7% state)
Income tax bracket	42% (35% federal + 7% state)

Sale / No Charitable Contribution:

IRS (capital gains tax) =	\$8,800
Seller (net after sale) =	\$91,200
Charity =	\$0

Outright Gift:

IRS (capital gains tax) =	\$0
Donor (income tax savings) =	\$42,000
Charity =	\$100,000
Net cost of \$100,000 gift =	\$49,200

- **Capital Gains Tax Avoidance** saves the donor \$8,800 in Capital Gains Tax
- **The Income Tax Deduction** may save the donor \$42,000 in Income Taxes
- **The Sale nets \$91,200. The Donation nets the donor \$42,000.** The difference is \$49,200.

- **The donor invests the full value of the asset (\$100,000)** in a worthwhile cause that will reap dividends for eternity. And the net cost of this \$100,000 investment is \$49,200.

Because of the double tax advantages—capital gains tax avoidance and an income tax deduction at fair market value—stock is a wonderful asset for supporting ministry.

Estate and gift planning information is offered as a service to friends of Dallas Theological Seminary. Communications with Gift Planning staff are not intended as, nor should they be construed to be, legal or tax advice and are offered for educational purposes only. We encourage you to seek legal and/or tax advice from your professional advisors prior to making any planned gift.

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