



Lutheran Planned Giving of Wisconsin

A Partnership of ELCA Ministries Serving Wisconsin

FOR THE RECORD

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A Publication for ELCA Congregations and Ministries

Our partner ministries are committed to providing assistance to churches and individuals in gift planning. This publication is provided to help you think about your own charitable giving, and promote, good whole-life stewardship.

Take Stock

Many people stop each year to “take stock” of their financial affairs. This year, investment market conditions and tax law changes may make it more important than ever that you take time to carefully look at your investment picture, especially if you plan to make charitable gifts. Stock that you have owned more than one year is subject to capital gains tax. “Take stock” and gift it is a smart charitable strategy.

Long-standing tax benefits

American taxpayers have long enjoyed the opportunity to make charitable gifts of stock that has increased in value while bypassing capital gains tax that would be due on a sale. You are, in effect, replacing taxation with philanthropy. “Paper profits” are used to help reduce federal and state income taxes. This is possible because our nation’s laws, continue to provide that one can gift appreciated assets and take an income tax deduction for the year of the gift based on the current fair market value of the donated property, no matter what it cost originally.

To take a deduction for gifts of stock at their current value, you must have owned them for more than one year. A stock gift is deductible up to 30% of adjusted gross income (AGI) in the year of the gift. Any unused deduction amounts may be used to help reduce taxes up to five future tax years.

Giving out of the market

If you have appreciated stock and the market fluctuations of the past years have caused you to set some goals that involve getting out of the market, or at least liquidate certain stocks. You may wish to consider giving the stock rather than pay the tax.

John and Sarah Fox (not their real names) purchased 100 shares of XYZ Corporation stock in 1992 at a cost of \$2,000. Today the shares are worth \$10,000 and pays less than 1% in annual dividends.

If the Foxes sold the stock, they would realize an \$8,000 capital gain. Because they have held the stock long-term (more than one year) they would owe as much as \$1,200 in federal capital gains tax on a sale, not including state tax. The Foxes, who have committed to make charitable gifts totaling \$10,000 this year, normally make their gifts in the form of cash. Using cash to make the \$10,000 gift would result in tax savings of \$3,910, in their tax bracket. Should they decide to use the stock to satisfy their charitable goal, sell the stock and give the cash would reduce their tax savings to about \$2,710. If they instead made the gift by giving the stock with a cost basis of \$2,000, they would completely avoid capital gains tax and their combined tax savings would increase to about \$5,110, over 34% greater savings than if they made their gifts in the form of cash.

“Take Stock” it may be your best choice when making charitable gifts. Visit with Lynn or Larry to explore this possibility.

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