Eaton Vance Tax Education Center

WATCH | Charitable Donations: Why Choose Stock Over Cash?

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TAX FORWARD 365®

Charitable Donations: Why Choose Stock Over Cash?

Did you know that donating highly appreciated securities to charity has advantages over making a cash donation? Let's look at an example. A married couple wants to make a meaningful donation to charity. They bought $20,000 worth of a stock 30 years ago, that is now worth $100,000. One option is to sell the stock and contribute the cash proceeds to charity. If they go this route, the couple would have to pay federal capital gains tax of $19,040 at a 23.8% tax rate, plus any applicable state and local taxes. After paying the federal taxes, the couple would be left with $80,960 for their charitable donation, minus any state and local taxes.

If instead, the couple contributes the stock directly to the charity, they would not owe any federal capital gains tax. The couple contributes the full $100,000 value to the charity rather than the lower after-tax amount of $80,960, and the couple would be able to deduct the full fair market value of the stock not to exceed the overall amount allowed by the IRS under itemized federal income tax return.

Bottom line, donating appreciated stock can unlock more value for charities while maximizing tax benefits for donors.

Take a few minutes to explore the Eaton Vance Tax Education Center at EatonVance.com/TaxEdCenter for more useful resources to help you meet a variety of tax-forward investing needs.

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