Methodist ElderCare Services

How to Donate Appreciated Property to Charity

Learn the Most Tax-Efficient Strategies

You are glad that your securities have grown over the years. But you're not so elated about the taxes you'll have to pay on the long-term capital gains if you sell. One solution: Completely eliminate capital gains taxes and receive a charitable deduction for the full fair market value of your donation by giving long-term securities to a charitable organization such as ours. If your estate will someday be subject to federal estate tax, those taxes will be lower as well.

Comparing Gifts: Stock vs. Cash

The example below illustrates the possible savings that can result from a charitable donation to us using appreciated stock versus cash. Assume you have stock that you would sell for $5,000, and it originally cost $3,000. Because of appreciation, you have an untaxed capital gain of $2,000. If your marginal income tax rate is 28 percent (15 percent on capital gains), the difference in your net cost between giving cash or stock can be quite significant.

Giving Cash	
Value of gift	**$5,000**
Tax savings from use of charitable deduction (28 percent rate)	($1,400)
Tax savings from elimination of capital gains (15 percent rate)	N/A
YOUR NET COST	**$3,600**

Giving Appreciated Stock

Value of gift	**$5,000**
Tax savings from use of charitable deduction (28 percent rate)	($1,400)
Tax savings from avoidance of capital gains (15 percent rate)	($300)
YOUR NET COST	**$3,300**

Note: Your net cost will be even lower if you have more appreciation in the contributed stock or are in a higher combined federal and state tax bracket.

Receive Annual Income

If you wish to reduce your dependence on equities, secure a steady and potentially higher income, and make a gift to a charity, you might want to create a **charitable remainder annuity trust** (CRAT).

You specify a set amount of annual income that you (or another income beneficiary) would like to receive from the trust. The income could last for your lifetime (plus the lifetime of a subsequent income beneficiary, such as your spouse) or a term of years. After the trust term ends, the charitable organization you have named receives the balance of the assets in the trust.

beneficiary

an individual or organization designated to receive benefits or funds under a will or other contract, such as an insurance policy, trust or retirement plan

You receive an income tax charitable deduction in the year you establish the CRAT. This amount depends on:

1. the life expectancies of the beneficiaries you've named to receive income from the trust.
2. the amount of income the CRAT will distribute to them (including how frequently the payments are made).
3. the current charitable midterm federal rate, an interest rate established by the IRS on a monthly basis.

Tax-Saving Results Using Real Estate

A gift of land or developed property with a fair market value higher than the cost basis produces the same double tax savings as a gift of securities, and certain types of real estate are favorable for unique reasons.

1. Real property, such as land or a vacation home that is no longer used, has a cost of ownership, which you could avoid by donating it to us.
2. An older commercial building may be fully depreciated, as well as costly and time-consuming to manage.

3. Developed investment or commercial property on which straight-line depreciation was taken may provide significant capital gains savings.

When real estate is contributed to a charitable remainder trust, it may be best to use a **charitable remainder unitrust** (CRUT)—a trust that pays the individual beneficiaries a percentage of annual market value rather than a fixed annuity amount. The CRUT can be further structured to limit annual distributions to the lower of actual income or the designated payment amount until the property is sold.

For more information, please ask our representatives to help you and your advisors plan the gift that best fits your individual circumstances.

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