



Receiving Gifts of Stock

Giving long-term, appreciated publicly-traded stock is a tax-efficient way for members and friends to make gifts to their congregations or other ministries. These gifts are often larger than the typical cash gift. They must be properly receipted by the church so that the donor has the required tax return support. While receiving gifts of stock involves additional steps on the part of the receiving ministry, the ability to make stock gifts lets donors make larger, more tax-efficient gifts. This guide will help your congregation understand how to receive and receipt stock gifts.

Overview

In order to preserve the tax benefits of stock gifts, the ministry receiving the gift must receive the actual stock, not just the cash realized from the sale of the stock. Stock that has been owned by the donor for less than one year (short-term stock) will not receive the favorable tax treatment desired and should not be used for charitable giving. Stock that was purchased for a higher price than its current value will generate a tax loss for its owner; it is more tax-efficient for these stocks to be sold by their owner. Only stock that has been held by the current owner for more than a year and is valued at more than the purchase price (that is “long-term appreciated stock”) should be used for charitable giving.

Understanding the Benefits of Gifting Long-Term Appreciated Publicly-Traded Stock

Ruth pledges \$20,000 each year to her congregation. She currently holds \$24,000 of Apple stock that she purchased for \$4,000. If she sells the stock, she will pay capital gains tax on her \$20,000 (\$24,000-\$4,000) gain. At the 15% capital gains tax rate, Ruth will pay \$3,000 in federal tax (\$20,000 gain times 15%) if she sells the stock. (Note that, while Ruth’s capital gain rate is 15%, many higher income taxpayers pay 20% on their capital gains and also may be subject to a 3.8% Net Investment Income Tax.) Assuming Ruth lives in a state with a 5% state tax on capital gains, she also will pay \$1,000 in state tax. After paying her federal and state taxes, Ruth will have \$20,000 from the sale of her stock to fund her gift to her congregation. If, however, Ruth decides to gift all of her Apple stock to her congregation, the “cost” to her is the same, and the church receives \$4,000 (20%) more! Or, Ruth could gift only \$20,000 worth of her stock and retain a \$4,000 investment to fund future gifts. Gifts of stock enhance a donor’s ability to be generous with the charities they support.

How to Receive a Stock Gift

In order for ministries to receive gifts of stock, they must first establish a brokerage account in the name of the ministry. While local brokerage houses may be willing to help congregations receive and sell stock, it is often more cost-efficient to open an account with a discount broker, i.e. Charles Schwab and TD Ameritrade. In order to preserve the tax advantages of stock gifts, the brokerage account must be in the name of the charity. Donors should be given the information needed to transfer their stock directly to the charity’s brokerage account, and the stock should be immediately sold in the charity’s account. Note that, as is the case anytime a ministry has an open bank or investment account, someone independent of the Treasurer or Financial Secretary should be regularly reviewing all transactions in these accounts for appropriateness.



How to Receipt a Stock Gift

It may be tempting, when stock is received as a gift, to sell the stock and record the amount received from the sale on the donor's statement of giving as their charitable gift. Don't fall into this trap! Gifts of stock require special, written receipting, which should include:

Date of the gift: The gift date, if received electronically in your brokerage account, is the date the stock was received in your account. Note: determining an accurate gift date is very important for gifts of stock, as it will determine the amount of the donor's tax deduction.

Description of the gift: The receipt should describe the stock received (such as "Received 220 shares of Apple, Inc. (NASDAQ: AAPL) in our brokerage account on December 20, 2016.")

No goods or services: Any gift over \$250 – cash or stock – requires a written acknowledgement that addresses the value of any goods or services received in conjunction with the gift. If only "intangible religious benefits" were received, the receipt should state that no goods or services, other than intangible religious benefits, were received by the donor. An individual cash or stock gift of more than \$250 without a statement to this effect WILL NOT BE DEDUCTIBLE by the donor. Please see IRS Publication 526 "Charitable Contributions" for more information.

Thank you: Don't forget to express thanks, on behalf of your ministry, for any gift received.

Valuation information: The amount that a donor may claim as a charitable deduction for a gift of publicly-traded stock will be equal to the average of the high and low market price on the date the gift was received in your brokerage account. Best practices strive to find a balance between providing your donor with the information they need for their taxes (the high/low prices, shares given and date received in your account) with not receipting a dollar amount for a stock gift. We recommend receipting your donors for stock gifts separate from a "Statement of Giving" for cash gifts. Stock gift receipts should document the stock name, number of shares given, and the date received. On a separate sheet, if you wish, you could provide the high and low market prices on the date of the gift and calculate the donor's gift value, but this is not required. We recommend that you sell all stock gifts as soon as they are received, but don't confuse the amount you receive as the donor's gift amount. That amount is determined by tax law and is based on the stock's value on the date of the gift.

A final word: We are all called to be good stewards of the gifts entrusted to us. Being willing and able to receive a gift of long-term, appreciated, publicly-traded stock is a great way to help your members and friends to be better stewards of their resources.

Notes:

In addition to publicly-traded stock, donors may also hold stock in small, family-owned or "thinly-traded" companies. Gifts of this type of stock are possible but require an expertise that is outside the scope of this brochure. See IRS Publication 561 for more information on how to value donated property.