

Donate Stock or Mutual Funds

Donating appreciated securities – such as stock or mutual funds – to the Women’s Fund of Rhode Island (WFRI) is a tax-wise approach to providing for children in need. Many donors choose to give gifts to WFRI using long-term appreciated stocks and mutual funds due to the attractive tax advantages associated with such gifts.

The benefits available to you when making a charitable contribution of stock or mutual funds may include:

- Avoiding federal and state tax on the capital gain;
- Receiving an income tax deduction (federal and most states) for the full market value of the gift if you itemize deductions on your tax return and have held the assets one year or longer;
- Making a larger gift at a lower original cost to you.

An Example of How Gifting Stock Works*

If you purchased stock for \$1,500 several years ago that's now worth \$5,000, and you sold it for a capital gain of \$3,500, you could donate it to WFRI, who could then, according to the Tax Code, be permitted as a “Section 501(c)(3)” charitable institution sell the stock without having to recognize the capital gain.

If you donate the stock directly to WFRI, you will avoid paying federal capital gains tax of \$525 ($\$3,500 \times 15\% = \525). And let's assume you live in one of the states that also taxes capital gains. Assuming a 5% state capital gains tax rate*, you would avoid an additional \$175 ($\$3,500 \times 5\% = \175) in taxes. This results in a total capital gains tax savings of \$700.

Let's further assume you fall in the 28% federal income tax bracket. By itemizing your deductions, you are eligible to take a \$5,000 charitable income tax deduction that saves you an additional \$1,400 ($\$5,000 \times 28\% = \$1,400$) of federal income tax for the tax year you made the gift. If your state allows you to deduct charitable gifts, you can also save on your state income taxes. Assuming a 5% state income tax rate, this results in an additional savings of \$250 ($\$5,000 \times 5\% = \250) for you.

In this hypothetical example, by making a stock or mutual fund donation, you are able to make a \$5,000 gift that generates a total tax savings of \$2,350. A direct contribution of \$5,000 in cash would generate an income tax saving of \$1,650. And if you were to sell the securities first and then donate what's left after paying taxes, you would only be able to donate \$4,300 (\$5000 less \$525 + \$175), which would generate income tax savings of \$1,419 (\$1,204 + \$215). Donating long-term appreciated securities is clearly the tax-efficient way.

Important facts to remember:

- You must itemize your tax return in order to deduct a charitable donation.
- You must have owned the securities for at least one year before donating them or you will be limited to a deduction of your original purchase cost of the securities.
- You may take a deduction valued up to 30% of your adjusted gross income. If the deduction is greater than 30%, you may carry any unused deduction forward for up to five years into the future until it has been fully used.
- We encourage you to consult your financial planner or tax advisor who can assist you in evaluating the tax advantages available to you when making a donation of appreciated securities.

The Women's Fund of Rhode Island (WFRI) prefers to receive undesignated gifts, allowing for the greatest flexibility in responding to evolving needs and priorities, but will also accept gifts designated to a specific purpose. Please contact us if you choose to designate your gift as changes in political situations or program capabilities may affect our ability to honor you request.

Transfer your securities through your broker.

Securities held in certificate form: If your securities are held in certificate form, please [contact us](#) for specific instructions on transferring your stock to the Women's Fund of Rhode Island.

Other ways to give securities: Appreciated securities may also be used to fund gift plans that provide payments for life or a number of years, such as [charitable gift annuities](#) or [charitable remainder trusts](#).

Contact information: If you have questions about making a gift of appreciated securities to WFRI, please call us at 401-262-5657 and ask to speak with our Executive Director, Kelly Nevins.

*The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties or liabilities. Please consult legal or tax professionals for specific information regarding your individual situation.

The Table Below Summarizes the Example*:

	Sell \$5,000 in Securities and Donate Cash Proceeds	Donate \$5,000 Cash	Donate \$5,000 in Securities
Original Amount	\$5,000	\$5,000	\$5,000
Federal Capital Gains Tax Paid	\$525	\$0	\$0
State Capital Gains Tax Paid	\$175	\$0	\$0
Total Tax Paid	\$700	\$0	\$0
Donation Amount	\$4,300	\$5,000	\$5,000
Charitable Deduction	\$4,300	\$5,000	\$5,000
Federal Capital Gains Tax Saved	\$0	\$0	\$525

State Capital Gains Tax Saved	\$0	\$0	\$175
Federal Income Tax Saved	\$1,204	\$1,400	\$1,400
State Income Tax Saved	\$215	\$250	\$250
Total Tax Saved	\$1,419	\$1,650	\$2,350
After-tax "Cost" of a \$5,000 Donation	\$3,581	\$3,350	\$2,650

**More than 80 percent of the 50 states levy a tax on capital gains that can be as high as 12 percent*