

## Gifts of Stocks & Bonds

In the eyes of the IRS, Stocks and Bonds are not cash; they are property. Deduction rules are different for gifts of property than for gifts of cash.

If you contribute property to your church, the amount of your charitable contribution is generally equal to the fair market value of the property at the time of the contribution. In the case of gifts of stocks, bonds and mutual funds, donors' deductions are equal to the fair market value of the property on the day it is received by the church.

Fair market values are determined by calculating the average of the high trading value and the low trading value of the security on the date of its receipt. However, with gifts of property, a donor can only deduct up to 30% of their adjusted gross income (AGI), whereas donors of cash may deduct up to 50% of their AGIs. As always, if a donor acquires more deductions than they can use in the year of the gift, then the remaining deductions can be claimed over the next five years, if necessary.

Making a gift of appreciated securities directly to the church can be a great deal for the donor.

**Example One:** Let us assume:

1. A donor owns stock worth \$10,000.
2. The donor purchased the stock for \$2,000 more than 1 year ago.
3. The donor's adjusted gross income (AGI) is \$50,000.
4. The donor makes no other charitable contributions in the year.
5. The donor donates the appreciated stock to his church.

In this example, the donor qualifies for a charitable deduction of \$10,000 subject to Donation Ceiling Rules of 30% of adjusted gross income (AGI). Thirty percent of the donor's AGI ( $0.30 \times \$50,000$ ) is \$15,000. Therefore, the donor is able to deduct the entire \$10,000 for which they qualified.

**Example Two:** Let us assume:

1. A donor owns stock worth \$10,000.
2. The donor purchased the stock for \$2,000 more than 1 year ago.
3. The donor's adjusted gross income (AGI) is \$50,000.
4. The donor makes no other charitable contributions in the year.
5. The donor sells the stock and donates the proceeds to his church.

In this example, the donor made a costly mistake by selling the security rather than donating the stock directly to the church.

Upon the sale of the stock, the donor triggered a taxable event. The proceeds of the sale of the stock equal \$8,000, which are subject to capital gains taxes at the 15% rate ( $0.15 \times \$8,000 = \$1,200$ ). The proceeds are now reduced by \$1,200 to \$8,800.

In this example, the donor qualifies for an income tax deduction of \$8,800 subject to Donation ceiling Rules of 50% of AGI. Fifty percent of the donor's AGI of \$50,000 is \$25,000. Therefore the donor is able to deduct the \$8,800 for which they qualified, but only after paying the \$1,200 in capital gains taxes. In this example, therefore, the donor receives a smaller deduction, pays capital gains taxes and the church receives a smaller contribution as well.

Now, the reality is that most churches do not have brokerage accounts through which gift of securities transactions can occur. So how can a church encourage their members to make gifts of securities and receive the proceeds of the sales of such gifts with having a brokerage account of their own?

There are actually several options, but most will cost the church hundreds of dollars. There is one option that won't cost the church anything for the first three transfers! That option is for the church to open an investment account with the DSUMF of at least \$5,000.

Why? The answer is that the DSUMF provides three electronic transfer of security services **FREE OF CHARGE** to every client. The electronic transfer services also includes generation of: 1) the required letter of donation with proper language, 2) IRS Form 8282 for gifts of stock valued over \$500, and 3) a partially completed IRS Form 8283 required of the donor by the IRS if the donor intends on itemizing the deduction for which they qualify.

## Summary:

- Readily marketable securities, such as those traded on a stock exchange, will be accepted by **DSUMF**.
- Gifted Securities will be sold immediately by the appropriate entity representing **DSUMF**.
- For **DSUMF** gift crediting and accounting purposes, the value of the Gifted Securities is the average of the high and low, or Mean Market Value on the date of the gift.
- By law, **DSUMF** is required, and will complete IRS Form 8282 upon the sale of gifted securities. Said form will be sent to the IRS; a copy will be sent to the donor, and kept on permanent file.
- As a courtesy to the donor, **DSUMF** will partially complete, and send to the donor, IRS Form 8283, which is the form required by the IRS to be submitted by the donor in order to claim an income tax deduction for their gifted securities.
- **DSUMF** will also send to the donor a set of instructions as to their completion of the IRS Form 8283.

**The following memo is an “open door” invitation for depositors and their members regarding electronic transfers of securities.**

**TO: Donors**  
**FROM: Authorized Person, DSUMF**  
**RE: SECURITIES TRANSFER INSTRUCTIONS & FEES**  
**Date: January 1, 2009**

To electronically transfer stock, bond, or mutual fund assets to the Desert Southwest United Methodist Foundation:

1. Provide us with your complete name, address, city, state, and zip code so that we may send you proper IRS documentation for your gift. You may e-mail or fax (602-265-1524) this information, but ***please notify us before you transfer*** so we can be “on the lookout” for your gift and conduct the necessary transactions as soon as the transfer arrives in our account.

2. Provide your financial advisor with the following information:

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|--------------------------------|---|
| A. The Foundation’s Brokerage: | Wells Fargo Advisors, L.L.C.<br>2415 E. Camelback Rd., Suite 1000<br>Attn: Jim Kinnear or Kurt Reighard<br>(602) 952-5163 or (602) 808-5667 |
| B. The Brokerage’s DTC Number: | 0141  |
| C. Account Name:               | Desert Southwest United Methodist Foundation  |
| D. Account Number:             | 2512-2161   |
| E. Foundation’s Tax I.D. #:    | 86-0621325  |

3. Instruct your financial Advisor to transfer assets through the DTC system and to the account number listed in item “D” above.

4. Via e-mail using the [foundation@dsumf.org](mailto:foundation@dsumf.org) address, instruct DSUMF as to any designations of the funds realized after our sale of your gifted securities.

**Stock Transfer Fees** effective January 1, 2009:

1. All depositors, regardless of balance carried in their accounts, will qualify for **THREE FREE Security Transfers** per year.
2. One additional FREE Security Transfer will be provided to each depositor for each additional increment of \$35,000 balance carried in their account.
3. If a properly notified depositor continues to carry a balance less than the minimum required (\$5,000), then each additional Security Transfer shall generate a fee of \$350.
4. A new church start with the minimum balance requirements (\$5000) will be exempt from the Security Transfer fees. FREE Security transfers will be provided for 5 years from date of inception.
5. The \$350 Gifted Security Transfer Fee is to be subtracted and retained from proceeds realized in the sale of the security prior to distribution of net proceeds to the church.