



## Publicly Traded Securities: Planning Considerations

Publicly traded securities may be one of the better assets to use in making outright gifts or establishing planned gifts for The Mother Church.

From a tax standpoint, publicly traded securities that have appreciated in value, and that have been owned more than one year, may be a tax-efficient asset to use to make a charitable gift, whether as an outright gift, or to establish a planned gift. Donors receive a double tax benefit: They may deduct the fair market value of the appreciated assets, and they save again by avoiding the capital gains tax altogether – plus 3.8% net investment income tax if adjusted gross income exceeds \$200,000 (\$250,000 for joint filers).

For planned gifts, appreciated securities contributed to a Pooled Income Fund avoid capital gains taxes and net investment taxes entirely; with gift annuities, donors avoid reporting a large portion of their capital gains, and the rest can be reported in annual installments over their life expectancies (assuming the donor is also a recipient); and with charitable remainder trusts (CRT), there is no capital gains tax when the donor transfers the appreciated assets to the CRT, and no tax when the trustee sells the appreciated assets and reinvests the proceeds. Depending on the types of income earned by the trust, some of the recipients' trust payments may be taxed as long-term capital gain.

Take the example of Mrs. Jones. The stock she purchased in 1995 for \$2,000 is now worth \$10,000. If Mrs. Jones gives the stock outright, instead of cash, the Church receives a gift of \$10,000 – the fair market value of the stock – and she can claim a \$10,000 charitable deduction on her next income tax return. In a 33% bracket, that's a tax savings of \$3,300. Furthermore, she may avoid \$1,200 in capital gains taxes (15% x \$8,000) that would be due whenever she sold the stock. The result: After estimating the tax savings, a gift of \$10,000 may have cost Mrs. Jones \$5,500.

### Mutual Funds

Mutual fund shares can be given to the Church with the same beneficial effect as listed and actively traded stock. Thus, mutual fund shares bought by you eight or ten years ago – though they may be worth much more than your original cost – can be given without incurring any capital gains tax, if given outright, and for planned gifts, a spreading out of the capital gains tax over an extended period of time. Your deduction is the bid, or the “net asset value” of the shares, which is calculated each day, generally after the close of the stock market.



## **Corporate Bonds**

An individual can generally deduct the full fair market value of any corporate bonds you give to the Church as an outright gift, and the individual would not owe any capital gains tax on the appreciation. However, the rule is different if a sale or redemption of the bond would result in ordinary income. The amount that would have been taxable as ordinary income is not deductible.

## **Income Tax Deductions**

The current value of appreciated securities held long-term (more than one year) is deductible, if transferred to the Church, up to 30% of adjusted gross income, with a five-year carryover for excess deductions. Securities with short-term gain are deductible at cost basis, up to 50% of AGI.

Gifts of securities should be planned for maximum deduction value. Timing can be important. The tax deduction for a gift of actively traded securities is the average (mean) between the highest and lowest quoted sale prices on the date of the gift (not the value at the close). If donors have purchased stock of the same corporation at different times and different prices, they should contribute the shares for which they paid the lowest price, retaining those having the highest cost basis. For shares held in a brokerage account, donors should specify what shares they wish to transfer to charity; otherwise, the IRS will apply the “first-in-first-out” rule – which may mean transferring shares with a high basis. The broker should provide written confirmation that shares transferred were bought at the lowest price.

## **Capital Gains/Capital Loss Considerations**

No gain is reportable when donors give appreciated securities, which is advantageous even for taxpayers who do not itemize deductions. You can deduct your capital gain if you have held the shares more than one year. But if you have owned stocks for one year or less, you can deduct only your cost in purchasing the shares, unless the stock is now worth less than you paid for it. If you do own stock that has gone down in value, it’s generally best to sell the stock and contribute the cash proceeds. In that manner, you will be entitled to both a capital loss deduction and a charitable deduction for a gift of cash.

Sometimes donors own stock that is only slightly appreciated. Gifts of such stock, if owned more than one year, will be subject to the 30%-of-AGI deduction ceiling. Donors of these



securities can qualify for the 50%-of-AGI ceiling, however, by electing to reduce their contribution deductions by 100% of the gain present in the property. This strategy may allow the donor to deduct more for the current year.

### **When Are Gifts of Stocks Deductible?**

If stocks are held in street name, the gift is effective on the date the transfer is noted on our account. If you have possession of stock certificates, the gift is effective on the date of delivery of the certificates in negotiable form to The First Church of Christ, Scientist or its agent (the postmark date is the date of gift if the certificates are mailed). If a new certificate is issued in the name of the Church, the date of gift is when the security is transferred on the books of the transfer agent. Note: If a donor has a stock certificate for 100 shares but wishes to contribute a smaller portion (50 shares, for example), the Church can “make change” – that is, accept the 100-share stock certificate but arrange for 50 shares to be reissued to the donor. This procedure can speed the transfer process when the donor is trying to make a gift very late in the year.

**Publicly Traded Securities.** Making a gift of securities requires following several steps. If stocks are held by your broker (in street name), give the broker instructions as to which shares you wish to transfer and alert him or her to call our office immediately. Please notify our office personally, as well. As explained below, you should contribute shares in which you have the lowest cost basis (that is, shares with the most capital gain). Your gift is complete, for tax purposes, on the date your stock is actually transferred into our account.

If you have the stock certificates in your possession, send the unendorsed certificates by registered mail to our office. Enclose a cover letter outlining the purpose of your gift, along with a description of the issues and the number of shares and certificates. Send separately a signed stock power form for each certificate with the name of the issue filled in and the signature guaranteed by a broker or officer of a national bank. It is a good idea to sign a blank stock power without filling in our name. (We can provide you with the forms.) This lets us sell the stock without having to go through the transfer process. Alternatively, you can hand-deliver the securities to one of our officers.

**Mutual Funds.** If you decide to contribute mutual fund shares, please notify us as soon as possible and send us a copy of your mutual fund statement. *Transfers can take from two to six weeks, or more,* to accomplish and we may need to work with you and your account manager to ensure that the gift is effective for the current year.



**Electronically Traded Gift of Stock.** You may use a software program like Computershare or E\*TRADE to trade stocks electronically. *Transfers from these companies may take from six to eight weeks* or longer to accomplish, depending upon your trading company's process. Please refer to your electronic stock trading company for instructions.

**Corporate Bonds.** Contact your broker-dealer if you wish to give corporate bonds and notify our office of your intentions. You should also call our office if you wish to contribute bearer (or coupon) bonds.

**Receipts/Substantiation Requirements.** Securities worth less than \$500 require a receipt from The First Church of Christ, Scientist, with a statement as to whether the donor received any goods or services as a result of the contribution. A gift of securities worth more than \$500 requires both a receipt and completion of Section A of Form 8283 by the donor.

### **How to Proceed**

If you would like to consider using securities to establish a planned gift, such as a charitable gift annuity, charitable remainder trust, or pooled income fund, please e-mail, call or write our office.

We are pleased to provide you:

1. Our contact information, for your broker's information, if securities are held in a brokerage account
2. The exact transfer process if you have possession of the actual stock certificates
3. The value of your securities, for deduction purposes, on the transfer date to the Church

You will need to share with us:

1. A list of the securities you wish to contribute, including date of purchase, your basis in the securities, and the CUSIP number
2. Your broker's name, address, phone number and e-mail. You will need to authorize your broker to speak directly with us about your transfer, and you will need to authorize your broker as to the specific securities to be transferred.
3. If you intend to transfer mutual fund shares, the contact information for your mutual fund account manager. We will also need a copy of your mutual fund statement.



You can contact our office at [philanthropy@csp.com](mailto:philanthropy@csp.com), by phone at 1-800-288-7155, extension 3288, or write to us at the address below. We look forward to hearing from you.

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