



Gifts of Stock General Overview

If you are considering a charitable contribution this year, be sure to research the best way your money can work for you. Gifting appreciated stock is one of the most effective means of tax savings available, but to preserve the tax benefits of stock gifts, the charity receiving the gift must receive the actual stock, not just the cash realized from the sale of the stock.

Stock that you have owned 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 more than its current value will cause a tax loss for its owner, so it is more tax-efficient for the owner to sell these stocks. **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.**

Benefits of Gifting Appreciated Stock:

- You can trust your money is invested in a cause that is important to you.
- You can avoid paying capital gains taxes on the appreciated stock.
- You can also receive an income tax deduction for the full fair-market-value of the stock at the time of the gift.

Understanding Stock Giving:

Consider this example: Leo currently holds \$12,000 of a specific stock that he purchased five years ago for \$2,000, and now he wants to sell the stock to make a donation to the church. If Leo sells the stock, he will pay capital gains tax on the \$10,000 (\$12,000-\$2,000) gain. At the 15% capital gains tax rate, Leo will pay \$1,500 in federal tax (\$10,000 gain times 15%) after the sale of the stock. In Virginia, the state charges a 5.75% tax on capital gains, so Leo also will pay \$575 in state tax. After paying federal and state taxes, Leo will have \$9,925 from the sale of the stock gift to the church. If, however, Leo decides to gift all of the stock to the church, while it's the same \$12,000 in stock being gifted, the church receives \$2,075 (21%) more! The church would receive the full \$12,000 value of the stock, instead of the \$9,925 Leo had remaining after selling the stock himself.

To Initiate a Gift of Stock:

- First, contact the office of Washington Street United Methodist Church (office@wsumc.com or 703-836-4324) to obtain the transfer information which includes the DTC routing # and the church's account #. Make sure that your brokerage firm knows that you do not want to sell the stock, but instead would like a "transfer in kind" to the church. This way, the church can sell the stock and use the funds for the charitable purpose without having to pay taxes on the gain.
- Once the stock transfer has been made, notify the church of the transfer date, number of shares, and security name to ensure you receive credit on your church giving statement. Let the church know in which church account(s) you wish the proceeds to be used. Gifts of stock may be directed to go to the General Ministry Fund as part of your annual giving pledge, or may be directed to go to one of our other ministry funds (Community Ministry Fund, Discipleship Fund, Endowment Fund, or Pastor's Discretionary Fund). If not specified, the funds will be transferred into the General Ministry Fund.
- Upon receipt of the gift, the church will send you a donation acknowledgement letter. The IRS requires this letter for any gift over \$250 so it is important to keep it with your tax records.

By completing these steps, you've just gifted stock to Washington Street United Methodist Church, given more than you would if you had given cash, AND incurred a tax savings for yourself!