Orange County Community Foundation

Tax Effects of Giving Long-Term Assets[1]

Donating long-term appreciated assets like stocks, real estate and privately held business interests **prior to sale** can offset capital gains tax liability by providing a charitable tax deduction that **reduces** both capital gains and income taxes related to the sale of the asset while **yielding charitable capital** for the causes closest to your heart.

Scenario

$10M Assets
$0 Original Basis
$10M Capital Gain (subject to 33.3% combined Federal & State tax)

	Scenario 1 No Charitable Gift	Scenario 2 Charitable Gift After Sale[2]	Scenario 3 Charitable Gift Before Sale[3]	Seller Benefits of a Pre-Sale Gift
Charitable Gift	$ -	$ 500,000	$ 500,000	
Capital Gain	$ 10,000,000	$ 10,000,000	$ 9,500,000	Capital gain reduced by charitable gift.
Taxable Income	$ 10,000,000	$ 9,500,000	$ 9,000,000	Charitable gift offsets taxable income.
Income Tax	$ 3,330,000	$ 3,163,500	$ 2,997,000	$333K less tax paid than no gift. $166.5K less tax paid than post-sale gift.
Proceeds to Seller	$ 6,670,000	$ 6,336,500	$ 6,503,000	Seller receives $166.5K more than with post-sale gift.
Charitable Gift	$ -	$ 500,000	$ 500,000	
Total Proceeds From Sale (Personal & Charitable)	$ 6,670,000	$ 6,836,500	$ 7,003,000	Proceeds $333K higher than with no gift. Proceeds $166.5K higher than with post-sale gift.

1. Examples include privately-held business interests, real property, publicly-traded securities, etc.
2. Gifting to charity of cash or liquid assets following the sale of long-term appreciated assets.
3. Gifting ownership interest in privately-held company or transfer of real property of securities to charity prior to the sale.

This material has been prepared for informational purposes only and is not intended to provide a tax advice.
Please consult your own advisors before engaging in a transaction.

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