

THE TASIS SCHOOL IN DORADO

Benefits of Making a Stock Donation*



The Tasis School in Dorado (“Tasis Dorado”) is a not-for-profit organization. As such, donations made to the school are tax deductible to the donor. There are a number of ways one can donate to a not-for-profit institution. In addition to cash, donations can be in the form of securities (stocks and bonds), gifts (i.e. art), services, etc. In this note, we limit the discussion to a donation of securities, specifically stocks.

Why Donate Stock

If one donates stock, the tax deductible value to the donor is the market value of the stock on the date of donation. If, instead, the donor chooses to sell securities and donate cash, the donor would incur brokerage fees and commissions on the sale plus long or short term capital gains taxes, to the degree the stock was not sold at a loss. If the school receives a donation of stock and decides to immediately sell it, the school will incur brokerage fees and commissions on the sale, but as a not-for-profit will not pay any taxes on the sale.

Example: John and Becky Smith wish to make a donation to Tasis Dorado. They own 385 shares of Apple Inc. that was purchased less than a year ago for \$40,000 and now has a current market value of \$100,000. The Smiths have a choice to either donate the 385 shares of Apple or sell the Apple shares and donate cash. If they donate the 385 shares of stock to Tasis Dorado, they will be able to claim a \$100,000 tax deduction on their personal tax return. Alternatively, if they sell the shares for a \$60,000 gain, they will incur brokerage fees and commissions on the sale (let’s say \$100.00) and they will need to pay short term capital gains taxes of approximately 36% on the remaining \$59,900 gain or approximately \$21,564 in taxes. This would leave only \$78,336 of cash to donate to Tasis Dorado which they could claim as a tax deduction on their personal tax return. Clearly the Smiths would be better off donating the stock, avoiding the taxes and brokerage fees and claiming a \$100,000 tax deduction. Similarly, Tasis Dorado would be better off receiving the stock donation even if Tasis Dorado decided to immediately sell the stock and incur \$100.00 of brokerage fees and commissions because as a not for profit, Tasis Dorado would not incur any taxes on the sale and so receive net cash proceeds of \$99,900.

How Would This Work?

The donor would provide a letter to Tasis Dorado stating the name of the security(ies) to be donated, the number of shares and the contact information of the donor’s stock broker. Tasis Dorado would then provide a copy of the letter to the school’s stock broker who will contact the donor’s broker. Using an electronic Automated Customer Account Transfer (“ACAT”) Form, Tasis Dorado’s broker will initiate the stock transfer request. The donor’s broker must verify the request and will have four days to complete the transfer. Tasis Dorado will then provide the donor with a letter/receipt acknowledging the donation of shares and the market value of the securities at the time the transfer was completed.

* Tasis Dorado is not a tax expert and is not offering tax advice to donors or potential donors with respect to the tax treatment of donations to Tasis Dorado specifically and to not-for-profits in general. Donors and potential Donors should seek the advice of tax professionals and tax advisors on all tax matters pertaining to the subject matters contained herein.