

Navigating Charitable Giving: When Donating Appreciated Assets Isn't a Clear-Cut Decision

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Are you charitably inclined? If so, you probably know that donations of long-term appreciated assets, such as stocks, often present an advantage over cash donations. But in some cases, selling appreciated assets and donating the proceeds may be a better strategy.

Tax treatments by type of gift

All things being equal, donating long-term appreciated assets directly to charity is preferable. Not only do you enjoy a charitable deduction equal to the assets' fair market value on the date of the gift (assuming you itemize deductions on your return), but you also avoid capital gains tax on their appreciation in value. If you

were to sell the assets and donate the proceeds to charity, the resulting capital gains tax could reduce the tax benefits of your gift.

But all things aren't equal. That's because adjusted gross income (AGI) limitations on charitable deductions are higher for cash donations. In other words, donations of appreciated assets to public charities are generally limited to 30% of AGI, whereas cash donations are deductible up to 60% of AGI.

Ensure that the numbers make sense

If you're contemplating a donation of appreciated assets that's greater than 30% of your AGI, crunch the numbers first. Then determine whether selling the assets, paying the capital gains tax and donating cash up to 60% of AGI will produce greater tax benefits in the year of the gift and over the following five tax years. The answer will depend on several factors, including the size of your gift, your AGI in the year of the gift, your projected AGI in the following five years and your ability to itemize deductions in each of those years.

Before making charitable donations, consider discussing your options with a trusted advisor to assess how the donation factors into your overall estate plan. For more information or to discuss making charitable donations with tax strategy in mind, contact your Anchin Relationship Partner, or [Adam Rubinfeld](#), a Tax Director in Anchin Private Client.