

# Cash crunch: Gifting non-income producing assets



For clients who rely on fixed-income assets, such as bonds, as well as wages, to cover their living expenses, the inflation pinch indeed may mean fewer dollars available for charitable giving. Still, for clients who own property, stocks, and other assets that tend to go up in value in an inflationary environment, now may be a good time to take advantage of tax-savvy giving of highly-appreciated assets—especially stocks that pay low—or no—dividends and therefore are not critical to maintaining a client's income levels.

Giving highly-appreciated stock remains one of the most effective ways your clients can support their favorite charities. That's because when a taxpayer gives stock to a public charity, such as a donor-advised fund at the community foundation, instead of selling it outright, the capital gains tax is avoided. Plus, marketable securities are typically deductible at their fair market value, further helping your client's overall income tax situation.

As you counsel a client who is emotionally attached to a particular stock, don't let that attachment prevent a client from making a smart tax move. Your client can donate shares of the highly-appreciated favorite stock and then immediately repurchase the same number of shares. This essentially resets the client's cost basis to the current price, which could help reduce capital gains taxes on a future sale.

Finally, remind your clients that there are significant differences in the tax treatment of donating cash versus securities. Currently, the deductibility of gifts of cash to a public charity is limited to 60% of adjusted gross income, versus gifts of non-cash assets to a public charity which are deductible up to only 30% of adjusted gross income. Also remind your clients that the maximum benefits associated with giving appreciated assets to a public charity are realized only with long-term capital gains property, in which case the deduction is set at the fair market value of the property on the date of the gift; gifts of short-term capital gains property are valued at cost basis for purposes of calculating the deduction.