THE FOUNDATION OF GUELPH GENERAL HOSPITAL

Gifts of Securities with Capital Gains - How You Benefit

Mary Smith decides she would like to make a gift of $10,000 to The Foundation of Guelph General Hospital. Mary decides she would like to use appreciated securities to make the gift. She bought 100 shares valued at $20 each in a publicly traded company several years ago.

Today, her initial investment of $2,000 has grown to a value of $10,000. Mary considers donating the shares, or selling the shares and donating the cash:

Assuming a 46% tax rate	**Donate shares directly to charity**	**Sell stock and donate cash**
Current Fair Market value of securities	$10,000	$10,000
Cost basis (amount paid for securities)	$2,000	$2,000
Capital gain ($10,000-$2,000)	$8,000	$8,000
Taxable capital gain (50% of $8,000)	$0	$4,000
Tax due on gain (46% of $4,000)	$0	$1,840
Charitable tax receipt for gift	$10,000	$10,000
Donation tax credit (46% of gift to charity)	$4,600	$4,600
Net tax savings to donor (tax credit less tax due)	$4,600	$2,760
Total tax savings to donor	**Tax credit of $4,600 plus $1,840 in tax on gain avoided = $6,440**	**Tax credit of $4,600 less $1,840 tax on gain paid = $2,760**
Gift to charity	$10,000	$10,000

Mary donates the shares…