

Donating stock to charity: A step-by-step guide for donors

Information from FREEWILL (<https://www.freewill.com/learn/how-to-donate-stock-to-charity>)

If you're among the Americans who donated a total of [over \\$319 billion](#) to charity last year, you're probably familiar with cash giving. Donating with cash, check, or card is one of the most common ways to give to the causes you care about.

What you may not know is that there are tons of other ways you can donate to your favorite nonprofits — and donating stock is one of the smartest ways to give.

If you own stock and regularly donate to nonprofits, you might have a few questions. What are the benefits of this kind of gift? How does it work? Let's take a look:

Why is donating stock to charity better than cash?

There are [several great reasons to donate stock](#). You can donate these types of securities to nonprofits:

- Publicly-traded stocks
- Privately-held stocks (which will require independent appraisals beforehand)
- Shares of mutual funds and ETFs
- Bonds

No matter which type of appreciated stock you donate, your gift goes further than if you sold it and donated the proceeds as cash.

This is because donating appreciated stock lets you save on your taxes in two ways: you [avoid capital gains tax](#) on the appreciated value, and you can *also* claim a tax deduction on the value of the shares you donated.

Understanding the tax implications of stock donations

Let's take a closer look at how the tax benefits of stock donations work.

A capital gains tax is the tax you have to pay on the profit generated when you sell a share of appreciated stock. Depending on your income bracket, you could be taxed up to 20% on your capital gains (for assets you've held for more than a year). However, if you donate this stock to a charity instead of selling it, neither you nor the charity have to pay taxes on it.

For example, let's say you purchased a share of stock for \$100, and it rose in value to \$300 over two years. You've generated a capital gain of \$200. When you sell that share, you'd have to pay a capital gains tax of up to \$40, reducing the final value that you receive from the sale. But by directly donating the stock, the money you would have paid in taxes can instead go to the nonprofit, maximizing your philanthropic impact.

And like most charitable donations, stock donations are deductible from your income taxes. When you file your federal taxes, you can deduct the donation from your taxable income if you itemize your deductions. Some states give income tax deductions for stock, as well.

Giving stock to nonprofits also exempts you from the wash-sale rule, which prohibits investors from selling and then immediately repurchasing stock from a company. When you donate stock, you can immediately repurchase the same stock at its fair market value, which will reset your shares at a higher cost basis and maintain the composition of your portfolio.

Donating stock is a win-win, both for you and for the causes that matter to you.

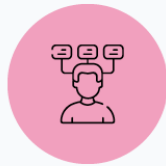
So how exactly do you do it? Let's take a look.

How to donate stock to charity: The traditional way

To manually donate stock to charity, you'll fill out a stock transfer form from your brokerage. On the form, you'll list information about the stock you want to donate and which charity you want to donate to.

Let's break down each step:

How to donate stock: The traditional method



Decide which shares to donate.



Obtain the nonprofit's account information.

- Name
- EIN
- Brokerage name
- Account number
- DTC number



Fill out your broker's forms.



Follow up with the charity.



Report the stock on your taxes.

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1. Decide which shares of stock you want to donate.

First, you'll need to decide which shares you want to donate, and to which organization. You'll need the name of the stock, its ticker symbol (if publicly traded), the number of shares to be donated, and the intended transfer date.

2. Obtain your nonprofit's account information.

Reach out to your preferred nonprofit to get their transfer information and brokerage numbers. To make a stock donation, you'll need to have the organization's:

- Full name
- EIN (Employer Identification Number), which is a unique number issued by the IRS to a business entity. You can find a charity's EIN by doing a quick internet search or checking the [IRS's Tax Exempt Organization Search](#) database. If a charity has multiple chapters, each chapter will likely have its own EIN.
- Name of the charity's brokerage firm (the receiving institution)
- The nonprofit's account number with its brokerage
- The nonprofit's DTC ([Depository Trust Company](#)) number

Common Ground Midtown's can be provided by emailing give@cground.org and requesting it.

3. Fill out the appropriate stock donation forms and send them to your brokerage.

Your own stock brokerage firm will be responsible for transferring your shares to the charity. You can usually find stock donation forms in your online account portal on your brokerage's website.

If electronic forms aren't available, you should fill out printed forms in black ink pen, adding all the information from Steps One and Two. Mail or fax your transfer request to your brokerage's address, which should be listed on your forms. If you receive a confirmation number, keep it for your records.

To be eligible to receive a tax deduction for the current tax year, you need to complete your stock donation by December 31. Keep in mind that a stock donation is recorded on the day it's received by the charity, not the day you submit the transfer request. The end-of-year period is especially busy for stock brokerages and charities, so it's a good idea to plan ahead.

4. Follow up with the charity to make sure the donation is received.

Be sure to notify your charity of your stock gift so they know to expect it. One pitfall of this traditional process is that brokerages often report donations of stock anonymously, meaning the nonprofit might not know who sent them the gift.

Later, follow up with the charity to make sure they receive your stock donation. Once the transaction goes through, your charity should send you a tax receipt that lists the date of transfer, the number of shares, and the stock's ticker name.

Check this receipt for accuracy and keep it for your records for when you next file taxes.

5. Report the stock donation when you file your taxes.

When you file your federal taxes, you must report your stock donation on [IRS Form 8283](#), which is the form for non-cash charitable contributions. You'll file this form with your tax return for the year you donated the stock.