

## Charitable Donations and Gifts to Qualified Organizations

### Charitable Donations

Contributions of cash or securities made by individuals to IRS Qualified Organizations may be deductible as an itemized charitable contribution on Schedule A of IRS Form 1040. In general, Qualified Organizations must be organized and operated for religious, charitable, educational, scientific, or literary purposes, or for the prevention of cruelty to children or animals. It is up to the donor to determine whether the organization meets the criteria to be considered a qualified organization. IRS Publication 526 and 561 may help with this determination.

### Deductible Amount

Type of Property	Amount of Contribution to 50% Limit Organization*	Maximum Deduction
Cash	Amount contributed	60% of AGI**
Short-Term Capital Gain property (held 12 months or less)	Lesser of fair market value (FMV) on date of contribution, or Adjusted basis of the property	50% of AGI**
Long-Term Capital Gain property (held more than 12 months)	Fair market value on date of contribution, or Elect to use the adjusted basis if basis is less than FMV.	30% of AGI**  50% of AGI**

\* Donors can ask the organization if it is a 50% Limit Organization or use the Exempt Organizations Select Check tool on the IRS website. Gifts to non-50% organizations may be deductible at 20%.

\*\*Percentage of AGI is TOTAL INCOME minus any adjustments.

### Fair Market Value of a Gift

The fair market value is generally the average of the unadjusted high and unadjusted low on the date of the completed gift of the security.

### Completion Date

The gift is generally complete on the date the transfer of property takes place; it is **not** complete when the LOA (letter of authorization) is signed. A gift is generally complete when the certificate is signed and physically handed over to the recipient or the recipient's agent, or if the security is in firm name, when the security is deposited in the charity's firm name account. If the certificate is mailed, the gift is generally complete on the date the mailing is postmarked.

### Reporting the Deduction

Charitable deductions are reported on Schedule A of IRS Form 1040.

### Limits on the Deductibility of Charitable Donations

Itemized deductions may be subject to phase-out if adjusted gross income exceeds certain limits. See instructions for IRS Form 1040, Schedule A for more information about this limit.

### Donations that Exceed the Deductible Amount

Charitable donations in excess of the deductible amount may be able to be carried forward five years for deductions in future years.

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Specific questions should be referred to a qualified tax professional.

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### Needed Documentation

Unless the charity files all receipts on their yearly informational return, they should send you a letter confirming donations of marketable securities of \$250 or more. You can always contact your local broker for a copy of the historical quote. Keep this with your tax records.

### Strategies

Consider a gift of **appreciated** securities instead of cash whenever you prefer not to incur capital gains tax, as in the following circumstances:

- When a takeover is imminent, rather than tendering the securities, donate them to a charitable organization. The charity does not incur capital gains tax when it tenders the security.
- When you wish to upgrade your portfolio, donate appreciated, low-dividend stock. Use your cash to purchase stocks that pay higher dividends.
- When you wish to increase your total cost basis in a stock you intend to hold, give your low basis securities to charity. Use your cash to purchase more of the same stock at current market prices and thereby increase your total cost basis without incurring any capital gains tax.

When a security has **depreciated**, it may be best to sell the security and donate the proceeds so that you can take advantage of the loss. Charitable organizations are generally unable to recognize the loss if the property is donated.

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