

Note: Detailed instructions on transferring shares of securities to ARI are included on this page.

Why give appreciated stock instead of available cash?

To avoid paying tax on the appreciation. If you own stock that has increased in value since you acquired it, it has “appreciated.” When you sell that stock, you realize a type of investment income known as “capital gain,” i.e., the difference between the price at which you originally acquired the stock (your “cost basis”) and its current market value. On stock held more than one year, that capital gain is subject to federal tax at rates of up to 15% in most cases (plus applicable state tax).

However, when you contribute the stock to a tax-exempt organization such as the Ayn Rand Institute (ARI), you are no longer liable for the capital gain tax. In addition, you may claim a charitable deduction for the current market value of the stock.

Example: A donor wants to make a gift of \$10,000 to support ARI. He has stock worth \$10,000 which he purchased several years ago for \$2,000. He is in the 28% income tax bracket, his capital gain would be taxed at 15% if he sold the stock, and he itemizes deductions on his federal income tax return.

Scenario A: He contributes \$10,000 in cash and claims a charitable deduction of \$10,000, which is worth \$2,800 to him ($\$10,000 \times 28\%$). The tax-adjusted cost—i.e., the true economic cost of the gift—is \$7,200 ($\$10,000 - \$2,800$). The Institute has \$10,000 to spend on the advancement of Objectivism.

Scenario B: The donor contributes the \$10,000 worth of stock and claims the same \$10,000 charitable deduction, obtaining the same \$2,800 tax savings. In addition, the \$8,000 taxable gain disappears; he will never have to pay tax on the gain, and thus saves \$1,200 more in tax ($\$8,000 \times 15\%$). The tax-adjusted cost of the gift is now \$6,000 ($\$10,000 - \$2,800 - \$1,200$). ARI sells the stock with no tax implications and has \$10,000 to spend on the advancement of Objectivism. To look at it another way: Because of the tax advantages, a donor can afford to contribute more value in appreciated stock than he would have been able to contribute in cash.

continued on next page

What if I would like to take advantage of the tax breaks, but don't want to reduce my stock holdings?

It still makes sense to give stock instead of cash. Let us say you contribute stock to ARI and then purchase more stock to replace what you contributed. You have realized the tax savings—both income and capital gain—and your cost basis in the replacement stock is now equal to its current market value. Thus your potential capital gain tax liability is limited to the future appreciation of the stock.

May I contribute appreciated stock but retain a stream of income?

Yes. If you use stock or other appreciated property to fund a “life-income” planned gift, you may achieve similar tax advantages as well as lifetime income for yourself and/or another individual. For more information about such arrangements, please contact Kathy Cross at kcross@aynrand.org or 732-242-9408.

How do I go about contributing stock to ARI?

1. Decide which stock, and how many shares, you wish to contribute. The greater the appreciation, the greater the tax advantage to you. However, other factors may influence your decision about which stock(s) in your portfolio you wish to contribute.
2. Send a letter of instruction to your stockbroker; see [sample letter of instruction](#). Describe the stock, indicate that you want to contribute the shares to the Institute, and instruct that they be transferred to ARI's account at BB&T Investment Services, Inc., DTC #0702 clearing through BB&T Securities, LLC, Ayn Rand Institute account Number 8422-9241.

Note: It is very important to transfer the shares of stock directly to ARI; if you sell the stock and contribute the cash proceeds, you will have realized the capital gain and therefore be subject to tax.

3. Notify ARI that you are making a stock gift by contacting David Gulbraa at dgulbraa@aynrand.org or 949-222-6550, ext. 204. Otherwise it can be difficult or even impossible for us to identify who contributed the stock.
4. Your part is done. When the stock has been transferred by your broker and deposited into ARI's account, the gift is complete. ARI will then send you an acknowledgement appropriate for tax purposes.

continued on next page

How do I substantiate my charitable deduction with the IRS?

To claim a deduction, you must itemize deductions on your federal income tax return. Under current law, non-itemizers may not claim charitable deductions. If the value of your contribution is more than \$500, you must submit IRS Form 8283 with your tax return. Gifts of stock are deductible up to 30% of your adjusted gross income. If your gift exceeds the 30% ceiling, you may carry over the excess deduction for up to five additional years.

Determine the value of your contribution for tax purposes by first calculating the average of the high and low price per share on the date of the gift (i.e., the date the transferred stock arrives in ARI's account). Then multiply the average share price by the number of shares you contributed.

How do I go about contributing appreciated property other than stock to ARI?

Other non-cash assets which may be appropriate as charitable gifts include mutual funds, bonds, and other financial assets; real estate; life insurance; tangible personal property; and business interests. For donors who contribute such assets, additional IRS filing and substantiation requirements (such as a qualified appraisal) may apply. For more information in this regard, consult your financial advisor and/or contact Kathy Cross at kcross@aynrand.org or 732-242-9408.

For additional information about making gifts of stock to ARI, contact David Gulbraa, Donor Services Specialist, at 949-222-6550, ext. 204, or dgulbraa@aynrand.org.

The information on this site is not intended as legal, tax or investment advice. For such advice, please consult an attorney, tax professional or investment professional.

continued on next page

THE AYN RAND INSTITUTE

Gifts of Stock to the Ayn Rand Institute: A Primer



Sample Letter of Instruction for Stock Transfers to ARI

You are welcome to copy the text below, and adapt for your purposes.

Dear

I wish to make a charitable gift of shares of stock to the Ayn Rand Institute (federal tax ID #22-2570926). Please transfer the shares listed below from my account #[account number], to the Institute's account as follows:

BB&T Investment Services, Inc.
DTC #0702 clearing through BB&T Securities, LLC
Ayn Rand Institute account Number 8422-9241

Shares to be transferred:

Sincerely,

cc: Dave Gulbraa, Donor Services Specialist, Ayn Rand Institute