Boost your tax savings by donating appreciated stock instead of cash

Saving taxes probably isn't your primary reason for supporting your favorite charities. But tax deductions can be a valuable added benefit. If you donate long-term appreciated stock, you potentially can save even more.

Not just a deduction

Appreciated publicly traded stock you've held more than one year is long-term capital gains property. If you donate it to a qualified charity, you may be able to enjoy two tax benefits.

First, if you itemize deductions, you can claim a charitable deduction equal to the stock's fair market value. Second, you won't be subject to the capital gains tax you'd owe if you sold the stock.

Donating appreciated stock can be especially beneficial to taxpayers facing the 3.8% net investment income tax (NIIT) or the top 20% long-term capital gains rate this year.

The strategy in action

Let's say you donate $15,000 of stock that you paid $5,000 for, your ordinary-income tax rate is 37% and your long-term capital gains rate is 20%. Let's also say you itemize deductions.

If you sold the stock, you'd pay $2,000 in tax on the $10,000 gain. If you were also subject to the 3.8% NIIT, you'd pay another $380 in NIIT.

By instead donating the stock to charity, you save $7,930 in federal tax ($2,380 in capital gains tax and NIIT plus $5,550 from the $15,000 income tax deduction). If you donated $15,000 in cash, your federal tax savings would be only $5,550.

3 important considerations

There are a few things to keep in mind when considering a stock donation:

1. The charitable deduction will provide a tax benefit only if your total itemized deductions exceed your standard deduction. For 2025, the standard deduction is $15,750 for singles and married couples filing separately, $23,625 for heads of households, and $31,500 for married couples filing jointly.

2. Donations of long-term capital gains property are subject to tighter deduction limits. The limits are 30% of your adjusted gross income for gifts to public charities and 20% for gifts to nonoperating private foundations (compared to 60% and 30%, respectively, for cash donations).

3. Don't donate stock that's worth *less* than your basis. Instead, sell the stock so you can deduct the loss and then donate the cash proceeds to charity.

A tried-and-true year-end tax strategy

If you expect to itemize deductions on your 2025 tax return, making charitable gifts by December 31 is a great way to reduce your tax liability. And donating highly appreciated stock you've hesitated to sell because of the tax cost can be an especially smart year-end strategy. To learn more about minimizing capital gains tax or maximizing charitable deductions, contact us today.