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How To Profit Off The IRS When Donating To Charity



How to Make Money off the IRS by donating to Charity

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Here is my secret

The long-term capital gains on the highly appreciated stock had a basis of \$10,000, but worth \$50,000, the same tax-deductible value as cash deposited on IRS Form 1040, Schedule A, line 14.

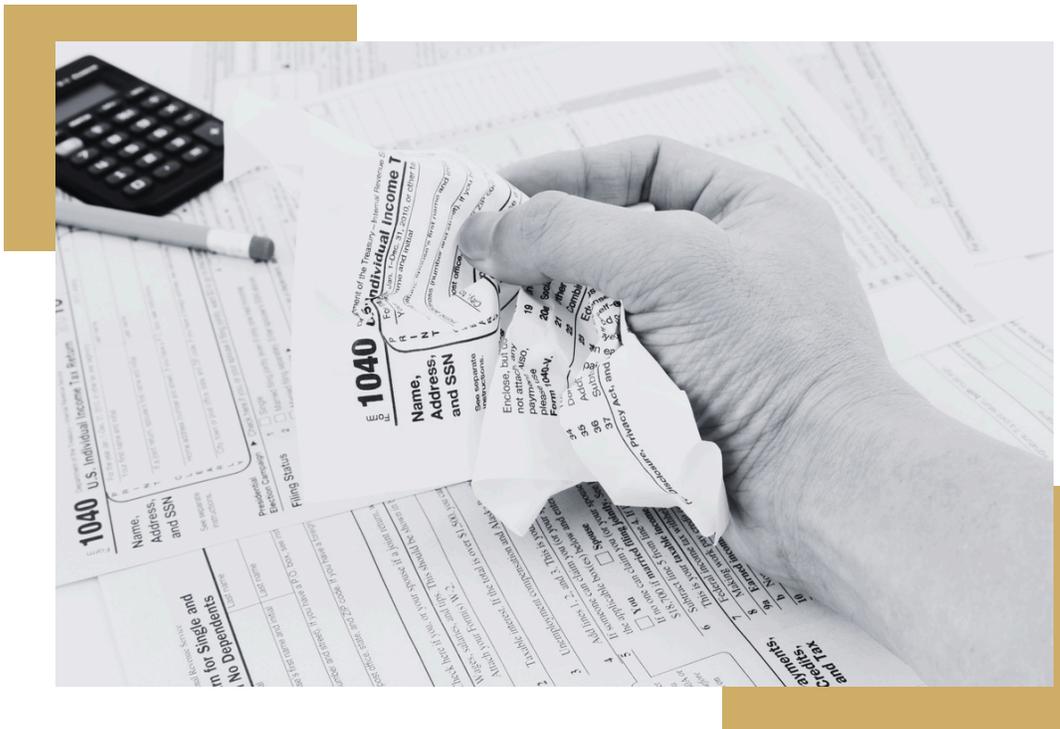


***This is not tax or legal advice. Always consult qualified tax, legal, and financial professionals. Always conduct your own thorough due diligence. Sky Tower Counsel, LLC is not responsible for any of your decisions.**

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Now let us compare

The cash gift of \$50,000 allowed you to capture \$25,000 of tax savings. The stock gift of \$50,000 allowed you to capture \$25,000 of tax savings as well – but your actual cost of this \$25,000 tax benefit was \$10,000. Which means, the difference between the stock basis of \$10,000 and your actual tax deduction of \$25,000, in effect created a profit (refund) of \$15,000 for you on this gift. If your head is spinning, you are normal. This strategy represents a new paradigm, a process you can follow well into the future. I call this new shift...



 **SKY
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COUNSEL** |  **509-434-8451**
 **admin@skytowercounsel.com**

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Charitable Tax Profit Harvesting

If you are using this Tax Smart Strategy, you are in essence making money off the IRS, and improving the performance of your non-qualified portfolio.

Here is my strategy for the best Tax Smart results

- **Decide on the amount of gift you plan to donate** from your cash account. (i.e. \$50,000) • **Consult with your tax professional** to address the efficiency and limitations for those who are making sizable current gifts, not to forget many deduction limits changed to the positive.
- **Meet with your Financial Advisor (FA)** and hand them your check for \$50,000 to buy new stock with a new basis.
- **Direct your FA** to “CULL OUT” \$50,000 of highly appreciated, but under performing stock to give to the charity. Stocks which appear to be over weighted or have little upside future performance.
- **Your FA contacts the charity** to generate the stock transfer direct to their brokerage account
Provide the gift transfer data to your CPA - who thinks you are now brilliant.
- **Share what you did with your tax attorney.** Be advised he or she may ask you to teach a class to their clients.
- **Know this in advance.** You will be amazed how many donors and their advisors are not practicing this as the Tax Smart strategy to optimize philanthropic objectives. Be the teacher and together, let us be a part of “making” the greater good happen.



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Bottom Line

If you own stocks that you have held longer than one year and you are making current gifts to public charities, this strategy could make you money on the gift. Plus, your investment portfolio will be healthier, having pushed out \$50,000 of underperforming stock, thus enhancing your wealth curve. Not to mention, you now have \$50,000 of new, conceivably stronger performing stock to make you more money. Or you can give \$50,000 of cash to buy \$25,000 of tax savings and keep that underperforming stock in your portfolio and pay more tax!

In conclusion, talk to your most trusted advisors and discuss if this Tax Smart strategy could optimize your gift.



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Supporting Tax Codes

1.Charitable Contribution Deduction: IRC §170 permits taxpayers to deduct the fair market value of property donated to qualified charitable organizations, subject to certain limitations. Refer to [IRC §170](#)

2.Limitations on Charitable Deductions: The deduction for contributions of appreciated capital gain property to public charities is generally limited to 30% of the taxpayer's adjusted gross income (AGI). Excess contributions can typically be carried forward for up to five years. Refer to [26 CFR §1.170A-8](#)

3.Avoidance of Capital Gains Tax: By donating appreciated securities held for more than one year directly to a charity, donors can avoid recognizing capital gains income on the appreciation, as the transfer to the charity is not considered a taxable event. Refer to [IRS Publication 526](#)

Implementing this strategy involves several steps:

- **Determine the Donation Amount:** Decide on the value of appreciated securities to donate.
- **Consult with Professionals:** Engage with tax and financial advisors to ensure the strategy aligns with your financial goals and complies with tax laws.
- **Select Securities to Donate:** Identify highly appreciated, underperforming stocks suitable for donation.
- **Transfer Securities to the Charity:** Coordinate with the charity to facilitate a direct transfer of the selected securities.

By following these steps, donors can enhance their charitable impact while optimizing tax benefits.

Please note that tax laws are complex and subject to change. It's advisable to consult with a tax professional to understand how these provisions apply to your specific situation.



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TOWER
COUNSEL



509-434-8451



admin@skytowercounsel.com



SKY TOWER COUNSEL

Get in **TOUCH**

PHONE

509-434-8451

EMAIL

admin@skytowercounsel.com

WEBSITE

www.skytowercounsel.com

ADDRESS

**1677 E Miles Ave. Suite 200
Hayden, ID 83835**