CHARITABLE OPPORTUNITIES FOR SPAC INVESTORS

Make a tax-smart gift of long-term appreciated stock after a SPAC merger.

The recent swell of special purpose acquisition company (SPAC) transactions may create an opportunity to both maximize your tax benefits and make more of an impact with your charitable giving. When you give any long-term, highly appreciated asset to a public charity instead of selling the asset and donating after-tax proceeds, you can eliminate significant capital gains taxes and qualify for a tax deduction equal to the fair market value of the asset, up to 30% of adjusted gross income. At the same time, the charity receives the full benefit of the appreciated asset's current market value. This is a powerful way for you to manage your tax exposure following a SPAC transaction while making more of a difference for the causes you care about.

FIDELITY Charitable®
Make more of a difference

The charitable opportunity with SPAC stock

While you should consult with a trusted tax advisor for specifics regarding your situation, donors who participated in any phase of a SPAC's lifecycle may have a charitable opportunity post-merger to donate publicly traded stock—especially if the market reacts favorably to the merger and stock prices rise. Consider the following case study to see how it could work[1]. Mary is a long-time shareholder and employee of a privately held company that recently went public through a successful combination with a SPAC. She is charitably inclined and wants to use this moment to give back to her favorite causes. Because of the merger, Mary has the gold standard asset for tax-efficient giving in her portfolio: low cost basis, highly appreciated stock.

Donating publicly traded stock post-merger

Now that the market has reacted favorably to the business combination and the share prices are rising, Mary and any other shareholders, such as the SPAC founder or members of the SPAC management team, early institutional investors, other legacy shareholders of the private business, or retail investors have an opportunity to use these long-term, highly appreciated assets to fund their giving.

In this hypothetical example, Mary owns 50,000 shares of publicly traded stock in the new company, which are currently trading at $25 a share. She wants to make a $500,000 donation to her local hospital to help fund cancer research. Here's how donating her long-term appreciated stock directly, instead of selling the shares and donating the proceeds, could make a greater impact for both Mary and the charity:

Mary wants to use some of her shares to make a charitable gift of **$500,000**

Mary owns shares with $0 cost basis valued at: **$1,250,000**

Federal long-term capital gains rate: **23.8%**[2]

	Sell company stock and donate the proceeds	Donate the shares directly
Long-term capital gains tax paid	**$119,000**	**$0**
Charitable contribution	**$381,000**	**$500,000**

Additional amount dedicated to charity: $119,000

CONSIDERATIONS

Have the assets been held long-term?
Before making a gift of publicly traded stock acquired in a SPAC transaction, all donors will want to seek confirmation from a tax advisor that the holding period and cost basis for the SPAC shares will "tack" to the newly acquired publicly traded stock which would make it eligible for long term capital gain treatment.

Are there any trading lockups or resale restrictions? Founder's shares and shares received by early shareholders from the private company will likely be subject to a trading lock-up for anywhere from 90 to 180 days. In addition, the shares may be restricted for resale, in some cases for up to one year. Gifting these shares while they are still subject to these restrictions will require a third-party appraisal and corresponding discounts may be applied to the fair market value for the purposes of deduction. To avoid these costs, donors may want to wait until the restrictions have lifted—though there may be some instances where that time is shortened.Please consult with a tax advisor to determine the specific requirements for your personal situation. Fidelity Charitable does not provide tax or legal advice.

[1] *This hypothetical case study is provided for illustrative purposes only. It does not represent actual donors, but is meant to provide an example of how a donor-advised fund can help individuals give significantly more for the causes they care about.*

[2] *This assumes all realized gains are subject to the maximum federal long-term capital gains tax rate of 20% and the Medicare surtax of 3.8%. This does not take into account state or local taxes, if any.*

Other charitable opportunities

Donating privately held business interests pre-merger

As a legacy shareholder of the private company, Mary also belongs to a select group of people who may have the ability to donate privately held shares before a SPAC merger. While less efficient than donating publicly traded shares after the merger, this may be an attractive opportunity to help her retain anonymity with her gift. Additionally, because Mary's business combination with the SPAC could mean that she sees an influx of wealth after the merger, a charitable gift pre-merger could provide a much-needed current-year tax deduction to offset this high-income year.

CONSIDERATIONS

Is it a taxable event? If so, Mary will want to be sure to complete the gift of the privately held shares before the board and the shareholders approve the merger to avoid any post-merger capital gains.

Are there extra costs? To determine the fair market value of her businesses interests for an income tax deduction, Mary will need to obtain an independent third-party appraisal.

Donating other long-term appreciated assets in your portfolio

There is one charitable move that may make sense whether you are a legacy shareholder, SPAC founder, member of the management team or any other investor: donating other highly appreciated assets in your portfolio. Contributing other shares is a tax-smart way to offset a high-income year or other tax liabilities incurred by participating in a SPAC transaction while still allowing you to hold onto your newly acquired shares.

Tip: Make it easier for your favorite charities when you contribute to a public charity with a donor-advised fund program

Some charities may face costly administrative burdens to process public or private stock donations. Contributing these kinds of assets to a public charity that sponsors a donor-advised fund program, such as Fidelity Charitable, can be a smart alternative.

Fidelity Charitable is here to help

In whatever capacity you participated in a SPAC transaction, there may be a significant opportunity to give back to your favorite causes in a tax-smart way. Our in-house team of experts is on hand to facilitate complex asset donations at no additional cost[3]. With expertise based on processing more than $7.4 billion in complex assets since inception and annually reviewing more than 500 opportunities each year, our team has a wealth of experience with a wide variety of transaction types.

Want to learn more or ready to get started? Connect with a **Charitable Planning Expert** or visit our **website**.

[3]Standard administrative fees may apply. To the extent that an Account Holder or third party makes a contribution that results in Fidelity Charitable incurring additional costs, including but not limited to, tax consequences (including "unrelated business income tax") to Fidelity Charitable in connection with contributions of certain forms of property including partnerships or pass-through entities, other costs connected with receiving, holding, and selling contributed property, and other fees and charges, such as a fee charged by a bank for insufficient funds, Fidelity Charitable may allocate such costs to the Giving Account for which the contribution is intended.

Information provided is general and educational in nature and should not be construed as legal or tax advice. Fidelity Charitable does not provide legal or tax advice. Content provided relates to taxation at the federal level only, and availability of certain federal income tax deductions may depend on whether you itemize deductions. Rules and regulations regarding tax deductions for charitable giving vary at the state level, and laws of a specific state or laws relevant to a particular situation may affect the applicability, accuracy, or completeness of the information provided. Contributions to a public charity of capital gain property held for more than one year are usually deductible at fair market value. Deductions for capital gain property held for one year or less are usually limited to cost basis. Consult an attorney or tax advisor regarding your specific legal or tax situation.

In order to claim a deduction for charitable contributions, you must be eligible to itemize your deductions.