

# Make the most of your bitcoin



An early adopter of Bitcoin, Alex has seen his cryptocurrency's value skyrocket—up nearly 800% in the past year alone. Historically a volatile investment, bitcoin reached a record high in 2024 after the U.S. financial regulator's approval of cryptocurrency exchange-traded funds.

In 2023, 63% of contributions to Fidelity Charitable<sup>®</sup> were in the form of non-cash assets, including \$49 million in cryptocurrency.<sup>1</sup> Like these savvy philanthropists, Alex wants to use his highly appreciated asset as a force for good, but will he be subjected to a looming capital gains tax upon the sale? Let's explore how Fidelity Charitable<sup>®</sup> can meet Alex's goal in a tax-smart way.

#### **Potential benefits of contributing bitcoin directly to Fidelity Charitable:**

- Provide more money to charity
- Help minimize capital gains tax exposure
- Take a tax deduction



## Maximize your charitable giving

Alex made a contribution of bitcoin in kind, which was worth about \$250,000 at the time, to Fidelity Charitable, as opposed to selling the bitcoin and donating the after-tax proceeds.

Fidelity Charitable, a tax-exempt public charity, sold the bitcoin without having to pay any capital gains tax. Meanwhile, Alex may be entitled to claim a fair market value tax deduction for the contribution.<sup>2</sup> As a result, Alex is able to support his favorite charities by way of grant recommendations, and he could claim a higher deduction than if he only donated the after-tax proceeds of his sale of the bitcoin.

### Reach rewarding results

Due to these tax efficiencies, with his Fidelity Charitable Giving Account<sup>®</sup>, Alex was able to dedicate an additional \$57,120 for charitable use.<sup>3</sup>



Alex took a charitable tax deduction of

\$250,000



Additional amount dedicated to charity

\$57,120

## Supporting charities is accessible, simple, and effective

Alex realized that by contributing bitcoin to Fidelity Charitable, he could avoid paying capital gains tax on the sale of the bitcoin and claim a higher tax deduction than if he sold the bitcoin and donated the after-tax proceeds.

Furthermore, after the bitcoin contribution was accepted, Fidelity Charitable sold the bitcoin and allocated the cash proceeds to Alex's Giving Account<sup>®</sup> without fees being taken from the proceeds. This enabled Alex to recommend a sizeable grant to a cancer center. He also realized that he would have additional funds available for a grant recommendation next year to his alma mater. Alex was pleased with the ease and efficiency that was made possible by using his Giving Account and contributing bitcoin electronically.

# By the numbers

## Donating Versus Selling



Value of Alex's bitcoin

\$250,000

Original purchase price	\$10,000
Alex's federal long-term capital gains rate <sup>4</sup>	23.8%

Alex sells his bitcoin and donates the after-tax proceeds:



Alex donates his bitcoin directly to Fidelity Charitable

\$250,000	Fair market value of the bitcoin	\$250,000
\$57,120	Long-term capital gains tax paid	\$0
\$192,880	Charitable contribution	\$250,000



Alex took a charitable tax deduction of

\$250,000<sup>5</sup>



Additional amount dedicated to charity

\$57,120

# Interested in doing something like this?

If a donation scenario like Alex's sounds like it could fit your personal situation, know that Fidelity Charitable has the experience and technical expertise to help. Fidelity Charitable can:



**Simplify the process of contributing long-term appreciated assets**



**Help achieve the most favorable tax consequences with the greatest charitable impact**



**Guide the entire asset contribution process**



**Work with you and your advisors to determine which assets might be best to contribute**

To learn more, please contact your financial advisor or Fidelity Charitable at 800-262-6039.

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

<sup>1</sup> Fidelity Charitable 2024 Giving Report.

<sup>2</sup> In order to claim a charitable income tax deduction for a contribution of bitcoin valued at more than \$5,000, a donor will be required to obtain a valuation to substantiate the value of their claimed deduction.

<sup>3</sup> Assuming a contribution of 100 bitcoin. Alex's tax basis is assumed to be \$100 per bitcoin. If Alex sold 100 bitcoin for \$250,000, he would have \$240,000 in capital gains and would pay \$57,120 in taxes.

<sup>4</sup> This assumes Alex's bitcoin is a capital asset and that all realized gains are subject to the maximum federal long-term capital gain tax rate of 20% and the Medicare surtax of 3.8%. This does not take into account state or local taxes, if any.

<sup>5</sup> Amount of the proposed donation is the fair market value of the appreciated securities held more than one year. This example assumes that Alex obtained a qualified independent appraisal to determine the fair market value of the securities.

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