Luke has a concentrated and restricted position in company stock and is concerned about protection against tax exposure in his portfolio. He’s philanthropically inclined but doesn’t know how he wants to give, and doesn’t have a long-term charitable plan. Clean water is a cause he wants to support but the charities he knows don’t have the resources or experience to accept or efficiently liquidate restricted stock.

After speaking with his financial advisor, Luke chooses to establish a Giving Account at Fidelity Charitable. He contributes long-term appreciated restricted stock, and Fidelity Charitable works with the company’s transfer agent, as well as its general counsel or compliance officer, to remove the restrictive legend. Fidelity Charitable then sells the stock and the Giving Account is funded with the proceeds. Luke is generally entitled to a tax deduction in an amount equal to the fair market value of the stock on the date of the contribution. Please note that donors should work with their tax advisors, as a qualified appraisal may be required to substantiate the fair market value of the gift.

**Case Study: Donating Restricted Stock**

**Donating Restricted Stock Can Create a Larger Gift**

By contributing long-term appreciated restricted stock directly to a donor-advised fund at a public charity, you are generally entitled to a deduction of up to 30% of adjusted gross income (AGI), potentially allowing for a greater tax benefit and larger charitable gift than contributions of stock to private foundations, which are generally deductible at only 20% of AGI.
Considerations

- As a “control person” in the company, Luke is subject to Rule 144 public sale restrictions.
- He may be exempt from holding period requirements under Rule 701.
- He and recipient charity must gain approval from the company’s general counsel to sell or transfer the shares at acceptable times.
- Transferring ownership of the restricted stock directly generally involves required paperwork and filings.

Potential benefits of giving restricted stock directly to Fidelity Charitable:

- Potentially provide more money to charities
- Minimize capital gains tax exposure
- Become eligible to take a tax deduction

Luke owns stock with a zero cost basis valued at:

$40,000

Federal long-term capital gains rate: 23.8%

| Fair market value of restricted stock | $40,000 | $40,000 |
| Long-term capital gains tax paid (23.8%) | $9,520 | $0 |
| Amount available for granting | $30,480 | $40,000 |
| Charitable tax deduction | $30,480 | $40,000 |

Tax deduction savings: $9,520

By contributing the stock to Fidelity Charitable rather than selling, then donating the after-tax proceeds, Luke may eliminate capital gains taxes on the sale of the stock. Plus, due to the flexibility of the donor-advised fund, the proceeds from the sale of restricted stock can be used to support multiple charities, all at once or over time. Now Luke can recommend grants to fund clean water programs at qualified charities, recommend investments for the remainder of the funds in his Giving Account for potential tax-free growth, and research more charities to support over time.

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 for the causes they care about.