DAF Insights for Advisors

Expertise and tools to help advisors deepen the philanthropic conversation

Three Things Executives Should Know about Donating Restricted or Control Stock to Charity

By Ellen Galluccio, Director of Development, Northeast

If some of your clients are corporate executives, they may have access to a powerful, but often untapped, philanthropic resource: unregistered or otherwise restricted shares received as part of an equity compensation package. These assets may be among the more tax-advantaged to give to charity, but they often require additional planning.

To streamline the donation process, C-suite executives increasingly turn to donor-advised funds (DAFs). DAF sponsors like National Philanthropic Trust (NPT) are experienced in accepting and liquidating contributions of restricted stock and control stock.

To donate stock received as part of an executive compensation award, here are three things to consider:

1. **Your client should consult with his or her legal and tax advisors to determine whether a qualified appraisal will be required by the IRS to substantiate the fair market value of the contributed asset.** Whether the donor will need to obtain a qualified appraisal for a contribution of restricted shares is dependent upon the facts and circumstances of each case.

2. **If the shares are subject to restrictions, NPT will work with the company's in-house counsel to transfer the shares and remove the restrictions so NPT may liquidate the shares upon receipt.** After the shares have been liquidated by NPT, the proceeds will be available in the DAF for grantmaking.

3. **Your clients' gifts receive the most advantageous tax treatment, leaving them with more to give to charity.** Giving a long-term capital asset, such as restricted or control stock held for more than one year, to a DAF may have significant tax benefits for your clients. By contributing the shares prior to liquidation, the donor is able to avoid the recognition of capital gain upon the sale. In addition, the donor is entitled to a charitable deduction of the fair market value of the shares, up to 30% of the donor's adjusted gross income for the year (with the ability to carry any unused portion forward for up to five years). In contrast, when contributing restricted stock to a private foundation, the donor's charitable deduction would be the lesser of the cost basis or fair market value, and would be limited to 20% of the donor's adjusted gross income for the year (with the five year carry forward).

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Three Things Executives Should Know about Donating Restricted or Control Stock to Charity (continued)

Gifts of restricted and control stock require special attention and due diligence. At NPT, we make sure the process goes smoothly for your clients so that they can focus on their charitable vision.

For more on executive compensation giving strategies, read more here or contact NPT by phone at (888) 878-7900 or by email at npt@nptrust.org.

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