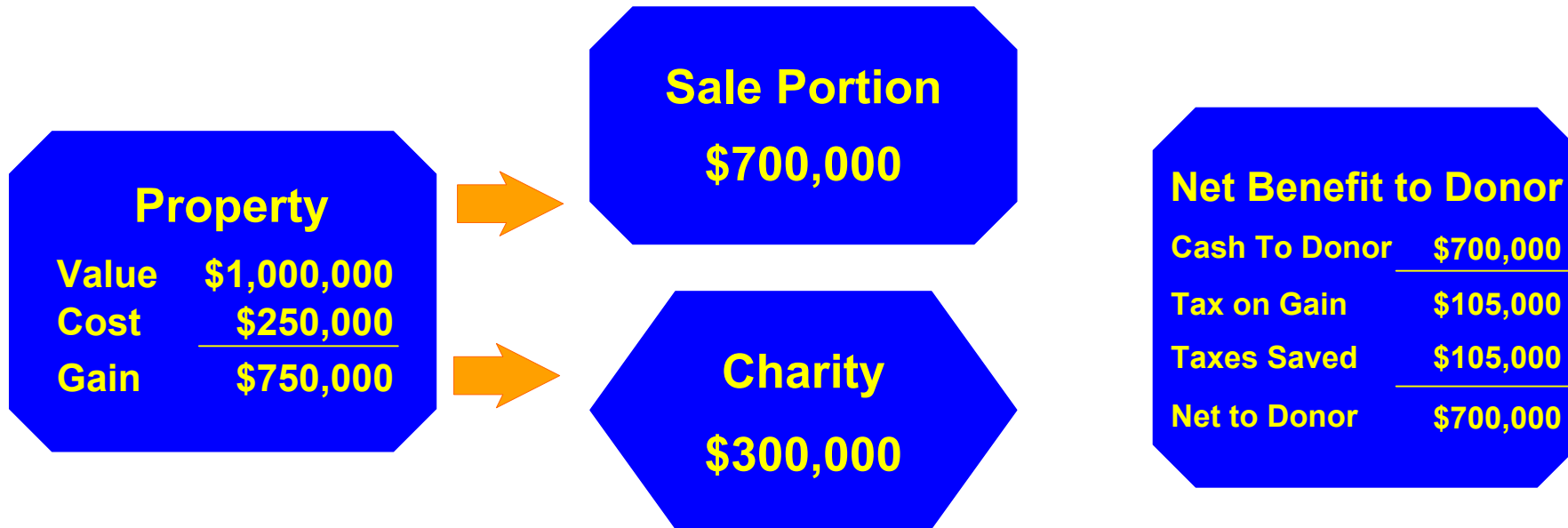


# GIFT/SALE OF APPR. ASSET

Prepared For John Smith



1. Appreciated property given to charity. Tax deduction may save \$105,000. Capital gain bypass on gift portion may also save \$45,000.

2. Part of the asset gifted before sale. Donor and charity jointly sell property. \$105,000 tax on gain offset by charitable tax savings.

3. Net to donor equals cash benefit plus net taxes saved and totals \$700,000. Tax reduction of \$150,000. Charitable gift of \$300,000.

## GIFT/SALE OF APPRECIATED ASSET

OWNER <u>John Smith</u>	
Property Value <u>\$1,000,000</u>	Cost Basis <u>\$250,000</u>
Income and Capital Gain <u>35.00 %</u> Tax Bracket <u>20.00 %</u>	Percent Gifted <u>30.00 %</u>
Cash Received <u>\$700,000</u>	Gift Value <u>\$300,000</u>
Taxable Gain <u>\$525,000</u>	Extra Deduct. <u>(\$225,000)</u> (Gift Less Taxable Gain)

## WORKSHEET -- GIFT/SALE

Property Value (PV)	<u>\$1,000,000</u>		
Cost Basis	<u>\$250,000</u>	<b>GIFT</b>	<u>\$300,000</u>
Cash Received (CR)	<u>\$700,000</u>		
Allocated Basis	<u>\$175,000</u>		(CR/PV * BASIS)
Taxable Gain	<u>\$525,000</u>		
Net Gift Deduction	<u>(\$225,000)</u>		(Gift Less Tax. Gain)

	NO GIFT	SALE / GIFT 30%	GIFT 30%/ SALE	GIFT 100%
Property Value	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Cost Basis	\$250,000	\$250,000	\$250,000	\$250,000
Sale Portion	\$1,000,000	\$1,000,000	\$700,000	\$0
Allocated Basis	\$250,000	\$250,000	\$175,000	\$0
Net Gain	<u>\$750,000</u>	<u>\$750,000</u>	<u>\$525,000</u>	<u>\$0</u>
Tax on Gain	\$150,000	\$150,000	\$105,000	\$0
Taxes Saved	\$0	\$105,000	\$105,000	\$350,000
Net to Donor	\$850,000	\$655,000	\$700,000	\$350,000
Charity	\$0	\$300,000	\$300,000	\$1,000,000
Gift Cost	\$0	\$195,000	\$150,000	\$500,000

Note: The Income Tax rate is assumed not lowered by the charitable gift.