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### Zuckerberg's Facebook Stock Donations

When someone donates stock, what is the tax effect? This seems like an obvious question. It's surprising that the dollars are not more widely understood. What happens, of course, is a charitable contribution. Donations of stock or other property are usually valued at fair market value. Value and basis are different things.



Facebook CEO Mark Zuckerberg (Image credit: Getty Images via @daylife)

Facebook's CEO [Mark Zuckerberg](#) donated \$500 million of stock to the Silicon Valley Community Foundation in December. On the surface, it translates to a \$500 million tax deduction. The Silicon Valley Community Foundation gives to a broad array of causes, especially education. Zuckerberg made his donation in the form of 18 million shares.

Facebook went public in May 2012 with shares initially priced at \$38 a share. They proceeded to dip below \$20 but then rose by more than 25% by the time of Mr. Zuckerberg's December donation. Zuckerberg's deduction is keyed to that market value.

Donating appreciated stock is a much better tax move than selling it and donating the sales proceeds. After all, by donating the stock, the gain he would have experienced on selling it is never taxed. The donee organization can either hold or sell the stock. But since it is a tax-qualified charity, if it sells the stock it pays no tax regardless of how big the gain.

Zuckerberg [wrote](#) that he and his wife Priscilla have signed the Giving Pledge launched by [Bill Gates](#) and [Warren Buffett](#), committing to give away at least half of one's fortune during his or her lifetime. Big donations yield big tax benefits. Of course, you can't deduct charitable contributions unless you itemize deductions. The donations will go on [Schedule A](#) to your Form 1040.

Furthermore, you can only take a deduction of up to 50% of your adjusted gross income for most charitable contributions (30% in some cases), and there may be additional limitations on your ability to deduct these contributions. If your donations entitle you to merchandise, goods or services, you can only deduct the amount exceeding the fair market value of the benefits you received. If you pay \$500 for a charity dinner ticket but receive a dinner worth \$100, you can deduct \$400, not the full \$500.

Another basic rule is to make sure the donee organization is qualified. You cannot deduct contributions to individuals, political organizations or candidates. The IRS maintains a list of all charities. To check whether particular organizations are on the IRS list, click [here](#).

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009 with 2012 Supplement, [Tax Institute](#)), he can be reached at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*