



JAMES E. CONNELL & ASSOCIATES

Charitable Estate And Gift Planning Specialists

**15 Pinewild Drive, P.O. Box 3335
Pinehurst, North Carolina 28374-3335
phone 910-295-6800 fax 910-295-6866**

Deduction Order

The deduction order for most donors is fairly straightforward. He or she deducts cash gifts first and then appreciated gifts to the 50% and 30% limits. However, it is possible that the deduction order could be fairly sophisticated. Deduction order as a percent of contribution base could be as follows:

1. Cash gifts to 50% AGI limit.
2. Appreciated gifts elected to be deducted at cost basis to 50% limit.
3. Unrelated use tangible personal property deducted at cost basis to 50% limit.
4. Short-term capital gain deducted at cost basis to 50% limit.
5. Appreciated stock or land deducted at fair market value to 30% limit.
6. Gifts "for the use of" a charity deducted to 30% limit.
7. Cash to private foundation deducted at 30% limit.
8. Public stock to private foundation deducted at fair market value to 20% limit.
9. Land or private stock to private foundation at cost basis to 20% limit.
10. Carry forwards of 50% limit gifts.
11. Carry forwards of 30% limit cash gifts to private foundations.
12. Carry forwards of 30% appreciated property gifts to public foundations.
13. Carry forwards of 20% limit gifts to private foundations.

While the list can be lengthy, for donors who give only to public charities, the rules are reasonably straightforward. Cash gifts are deducted first. Appreciated gifts are deducted next. If there is an available 50% or 30% limit, then carry forwards of cash and appreciated property are deducted in order, with the oldest carry-forward gifts deducted first.