

## Cost Basis Information for Gifts of Securities

Thank you for inquiring about the transfer of your stock or mutual fund shares to The Lutheran Legacy Foundation. While these assets are somewhat more complicated to transfer than cash, you may be entitled to significant tax benefits from your gift.

You should seek the advice of your tax advisor to determine the exact cost basis and holding period of the shares you transfer. Your tax advisor will be able to analyze the tax consequences of your gift in your situation under current law. Your cost basis is generally the amount you paid to acquire each block of shares, and your holding period is the amount of time that you have owned the shares.

Please note: the information in this statement briefly summarizes some rules but is not intended to provide you with tax advice.

### Why is cost basis important?

Reason No. 1: If your cost basis for a block of shares exceeds the current fair market value, it is to your advantage to sell those shares, recognize the loss on your individual tax return, and make a gift of the cash. If you gift these “loss” shares directly, you will not be permitted to claim the loss on your individual tax return and the amount of your gift will still be based on the fair market value of the shares.

Reason No. 2. If your shares have been acquired during the last 12 months, you may wish to delay your gift until you have held them for more than a year. For assets, which have not been held for 12 months, your deduction will be based on the lower of your cost basis or fair market value.

**There may be additional reasons as well.** If you are establishing a **Charitable Remainder Trust**, you must provide the Trustee (the Foundation) with the cost basis of the assets you contribute. Your cost basis will carry over and become the cost basis of the Trust. If you are unable to provide an exact costs basis, the Trust must assume a zero cost basis. The consequence of a zero cost basis in your Trust is that you will not be able to report any of your payments as a tax-free return of principal. Generally, a tax-free return of principal would occur only when the principal value of the Trust drops below the amount of the costs basis.

## INSTRUCTIONS FOR ESTABLISHING COST BASIS FOR BONDS OR SECURITIES

(See attached form.)

1. Please list separately each block of securities being transferred. For example, if you bought 100 shares of AT&T on January 1, 1990, and 50 shares of AT&T on January 1, 1995, you need to complete a separate line for each purchase. Each will have a unique cost basis and date of acquisition.
2. The CUSIP number appears on your account statement or stock certificate. It will help us avoid errors caused by incorrect identification of your securities.
3. As long as the asset has been held more than 12 months, we do not need the precise date of acquisition. The year is sufficient. However, if you have acquired the asset during the current or prior calendar year, we need the month and day of acquisition.
4. If you intend to transfer **mutual fund** shares, please be aware that it may take longer to transfer ownership of mutual fund share than common stocks. Your gift date will be the date the shares are transferred into our name by the mutual fund company, an event that is not within the control of the Foundation.
5. If you intend to transfer publicly traded **bonds**, please provide information about the issuer, interest rate and maturity date in addition to your cost basis and date of acquisition.
6. Please note we will not accept **closely held stock or securities**, which are **not publicly traded** on an established market, or any interest in a **limited partnership** unless we have preapproved such securities. If you intend to transfer such assets we will need a great deal of information from you to decide whether the asset can be accepted by the Foundation.
7. If the company, which issued the asset you intend to transfer, is about to be **acquired** or **merged**, we need copies of the documents you have received concerning the terms of the acquisition or merger. Please highlight the deadline for acceptance of the offer to shareholders. If you do not complete the transfer to the Foundation in time for us to accept the offer, you may recognize capital gain even if you transfer your certificate to us.
8. If you are aware that the company which issued the asset you intend to transfer is about to declare a **dividend**, we would appreciate any information you can provide concerning the record date and whether you intend to gift the dividend or not.
9. **Dividend re-investment** purchases of stock or mutual fund shares often are more difficult to process than other shares because you will have frequent dates of acquisition (often involving shares held for less than 12 months), and calculating your costs basis can be very complex.
10. If you are transferring shares of stock you received as a result of a **stock split** or a non-taxable **stock dividend**, the basis of you new shares is a pro rata portion of the adjusted basis of the shares you owned before the split or dividend. Your new shares are treated as if they had the same date of acquisition as the share you owned before the split or dividend.
11. If you need assistance, the IRS prepares publications, which may help. However, we encourage you to seek the assistance of a tax professional.

