

## Absent IRS Action, High-Income Investors in South Carolina Will See Significantly Higher Returns if They Donate Their Stock to Fund Private School Vouchers, Instead of Selling that Stock on the Open Market

	<b>Sell Stock</b>	<b>Donate Stock and Receive 100% State Tax Credit</b>		
	Sell Stock	No Regulation	Regulation Denying Charity Deduction but Not Taxing Gain	Regulation Denying Charity Deduction and Taxing Gain
Price originally paid for stock	\$50,000	\$50,000	\$50,000	\$50,000
Market value of stock today (assuming approx. 7% annual return over 14 years)	\$125,000	\$125,000	\$125,000	\$125,000
Investment earnings from increase in value (capital gain)	\$75,000	\$75,000	\$75,000	\$75,000
<b>Example: High-income taxpayer (37% federal tax bracket) paying more than \$10,000 in deductible SALT</b>				
Payment received in return for stock	\$125,000	\$125,000	\$125,000	\$125,000
Form of payment	Cash	Tax Credit	Tax Credit	Tax Credit
Federal (23.8%) and state (7%) tax payment on \$75k gain	\$(23,100)	N/A	N/A	\$(23,100)
Federal tax savings from charity deduction	N/A	\$46,250	N/A	N/A
<b>Net payment (after taxes) received in return for stock with market value of \$125k</b>	<b>\$101,900</b>	<b>\$171,250</b>	<b>\$125,000</b>	<b>\$101,900</b>
Pre-tax earnings on stock originally purchased for \$50,000	\$75,000	\$75,000	\$75,000	\$75,000
After-tax earnings on stock originally purchased for \$50,000	\$51,900	\$121,250	\$75,000	\$51,900
<b>Financial reward from choosing to donate to fund private school vouchers, relative to selling stock on the open market</b>	<b>N/A</b>	<b>\$69,350</b>	<b>\$23,100</b>	<b>\$0</b>

SOURCE: Institute on Taxation and Economic Policy (ITEP), October 2018