



Robert W. Wood

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The Surprising Math In Mark Zuckerberg's \$45 Billion Facebook Donation

Facebook's [Mark Zuckerberg](#) announced the birth of his baby daughter Max with wife Priscilla Chan. He coupled it with announcing [his plan to donate 99% of his Facebook stock](#), a gift currently worth a whopping \$45 billion. The 7th richest person in [Forbes' Real Time Billionaires ranking](#), with a net worth estimated at \$46.8 billion, that will whittle down his savings, but also shield billions in income he is yet to earn.



Facebook's SEC filing notes that:

- 6 On December 1, 2015, our Founder, Chairman and CEO, Mark Zuckerberg, announced that, during his lifetime, he will gift or otherwise direct substantially all of his shares of Facebook stock, or the net after-tax proceeds from sales of such shares, to further the mission of advancing human potential and promoting equality by means of philanthropic, public advocacy, and other activities for the public good. For this purpose, Mr. Zuckerberg has established a new entity, the Chan Zuckerberg Initiative, LLC, and he will control the voting and disposition of any shares held by such entity. He has informed us that he plans to sell or gift no more than \$1 billion of Facebook stock each year for the next three years and that he intends to retain his majority voting position in our stock for the foreseeable future.

This generosity is also incredibly tax efficient. One can assume that he will make these enormous gifts in shares, not in cash, just like famously savvy Warren Buffett of [Berkshire Hathaway](#). Why donate stock? With stock, the donor gets a charitable contribution deduction based on the *fair market value* of the shares. Value and basis are different things, which can mean enormous tax advantages.

In the past, Mr. Zuckerberg has donated hundreds of millions of dollars to charity, as he has to the Silicon Valley Community Foundation. Of course, he donates millions of shares, thus skipping tax on the run up in value. Facebook went public in May 2012, with shares initially priced at \$38. They proceeded to dip below \$20 but then rose by more than 25% by the time of Mr. Zuckerberg's year-end 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. And since Mr. Zuckerberg will get credit on his tax return for the market value of what he donates, he can use that to shelter *billions of other income*.

[10 Tech Stocks Billionaires Are Buying And Selling Now](#)

Some time ago, Mr. Zuckerberg [wrote](#) that he and his wife Priscilla have signed the Giving Pledge launched by [Bill Gates](#) and [Warren Buffett](#). It is a commitment to give away at least half of one's fortune during his or her lifetime. Of course, you can't deduct charitable contributions unless you itemize deductions. The donations 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. 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](#).

Mr. Zuckerberg's pledge is *incredibly* generous. But it is also likely to involve some very savvy tax planning.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not intended as legal advice.