

If you want to receive income

Options include receiving fixed income, variable income or income that is temporarily or permanently tied to the earnings of the property used to make your gift. With all these, it is possible to avoid capital gains tax on the increase in value of the real estate at the time the gift is made.

You may also enjoy income as well as a current income tax deduction that is calculated based on the value of the property. The asset is removed from your probate and taxable estate. Property taxes and other expenses currently associated with the donated real estate are eliminated.

Example: Michael and Deborah Gardner, ages 73 and 71, own 160 acres of real estate near a growing residential area. They paid \$64,000 for the land 22 years ago.

According to a recent appraisal, the land is now worth approximately \$480,000. They would like to make a significant charitable gift but are hesitant to do so as they anticipate needing more income in retirement.

They have considered selling the land and investing the net proceeds. In that event, however, they must pay federal and state capital gains tax on the \$416,000 gain.

By placing the land in a **charitable remainder trust**, they will bypass the tax on the increase in value of the land at the time the transfer to the trust is completed. Here are their benefits:

1. The Gardners are able to earn income from the entire proceeds from the sale of the land placed in the trust. If the trust payout rate is set at 5%, for example, their income from the trust will initially be \$24,000, which is more than if they sold the land and reinvested their \$360,000 in after-tax proceeds.
2. In addition to their increased income, they are entitled to a charitable income tax deduction of more than \$210,000, which may provide substantial income tax savings over a number of years.
3. Depending on the performance of the trust assets, it may be possible for the Gardners to enjoy increased payments over time that are taxed at lower rates than other income.

How do I go about making a gift?

A gift of real estate is completed by deeding the property to charity or a qualified charitable trust. Your advisor can help you evaluate the tax consequences and other benefits of your gift and assist you with obtaining a qualified appraisal and other steps.

Learn more

As you can see, a gift of real estate could be greatly beneficial to both you and charity. We will be pleased to discuss these gift plans with you upon request.



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Charlotte Smith
Development Director
1234 First St.
Memphis, TN 38109
901.234.5678

www.yourorganization.org
charlotte.smith@yourorganization.org

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This code provides additional information to assist you in your planning or to share with your advisors.



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If you own a home or property you don't want to live in (or manage), you may find the property can make an effective charitable gift because it can offer special tax savings. Tax benefits are just the beginning, though.

There are ways to give real estate that can complement your overall estate plan while enhancing your financial security now and in future years.

If you are reviewing your plans in light of current economic conditions, real estate can offer a number of attractive charitable giving opportunities.

When your property is worth more

If you sell real estate you have owned for several years, you may be faced with payment of substantial capital gains tax, especially if the property is not your principal residence.

By making an **outright gift** of the property, a double tax savings is possible. First, in most cases you will receive a charitable income tax deduction for the full value of the property—not just the original purchase price. Second, you will not owe capital gains tax on the transfer because the property was donated rather than sold.

Example: Anne Mullins invested \$50,000 in a piece of property 20 years ago. It was recently valued at \$250,000, so she would realize a \$200,000 capital gain if she sold the property for the appraised price. Anne decides instead to use this land to make a charitable gift in honor of her mother. Here are her benefits:

1. She is entitled to a deduction of \$250,000 on her income tax return for the year of the gift.
2. In her tax bracket, Anne saves more in taxes than she originally paid for the property.
3. Because she made a charitable gift, Anne will not owe the capital gains tax that would be due on a sale of the property.

Choosing the right property

It is important to choose property that meets a number of criteria.

1. The property should be readily marketable, especially if you anticipate making the gift in a form that provides income over time.
2. If a property is mortgaged, you may still enjoy tax and other benefits. You must, however, pay special attention to the manner in which the property is given.

When your property has decreased in value

If you own real estate that is worth less than you paid for it, donating the property will

entitle you to a deduction for only the current fair market value of the property. It may be better to **sell the property and give the cash proceeds**. In this way, you realize a capital loss you may be able to use to offset tax on other income. You will also be entitled to a charitable deduction for the amount of the cash gift.

If you want to continue to live in or use the property

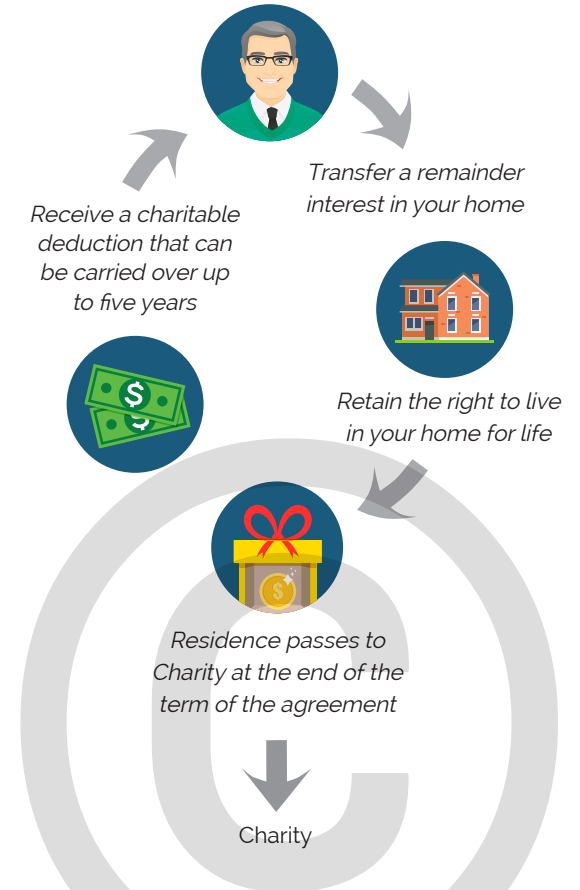
If you would like to make a gift of your residence, vacation home or farm, you may do so in a way that allows you or another loved one the right to enjoy the property for life (or another period of time you choose).

A tax deduction is allowed for the value of the eventual charitable gift in the year the gift is arranged. A **life estate** gift is generally most attractive to people at or approaching retirement years.

Example: Joe Rogers, age 78, is a widower with three children who live elsewhere and are doing quite well financially. He is planning to give his home to one of his charitable interests through his will.

Joe has recently learned he will no longer owe federal estate taxes and is interested in ways to accelerate his estate gift for immediate tax savings.

He decides to give his home now while reserving the right to live there for the remainder of his lifetime. He retains the full benefits and duties of ownership, including taxes and upkeep, as well as the right to any income if he later decides to rent the property.



Here are the benefits he receives:

1. The gift of his home entitles him to an immediate federal income tax deduction for approximately 75% of its value.
2. Joe can use the deduction to reduce his income taxes for the year of his gift and in as many as five future tax years.
3. The deduction may also make it possible to deduct certain other expenses he does not currently itemize on his tax return.