

GIFTS OF REAL ESTATE

When your client plans to make a charitable gift to their community, they should consider making a gift of real estate. There are several special incentives to encourage gifts of real estate. These benefits may include:

- Satisfaction of making a gift today that will be an investment in their community
- Bypassing capital gains taxes
- Current income tax deduction
- Lower insurance and maintenance costs
- An immediate charitable income tax deduction
- Reduced management worries
- Reduced estate taxes and property taxes

Ways to Gift Real Estate

Outright Gifts

A person can take an income tax deduction for 100% of the fair market value of real estate held for more than one year. In addition, the capital gains taxes due if the property had been sold are bypassed when the real estate is gifted. The outright gift of the property reduces your client's taxable estate. The amount of income tax deduction that can be used in any one year is limited to 30% of adjusted gross income. Any excess deduction can be carried forward for up to five additional years. For example, if your client adjusted gross income for the year is \$100,000, up to \$30,000 of an outright gift of real estate given to benefit their community or favorite charities is deducted this year. Any amount over \$30,000 may be carried forward for up to five additional years.

Gifts by Will

A gift of real estate is through a bequest in your client's will provides estate with a 100% charitable deduction for the full fair market value of the property with no limit on the amount.

Gifts of Property While Retaining Income

Setting up a [Charitable Remainder Trust](#) is a win-win situation when your client no longer wants to own real estate, desires lifetime income and wants to make a gift to benefit their community. Ownership of the real estate is transferred to the trust. The trust then sells the real estate and reinvests the proceeds to provide an income. This type of gift plan provides the following benefits:

- Increase your client's income for life
- Remove financial and personal burdens of property management
- Receive an immediate charitable income tax deduction
- Bypass estate and settlement costs
- Provide tax-free growth of assets inside the trust.

Note: The above information is of a general nature and is not intended as legal advice.

