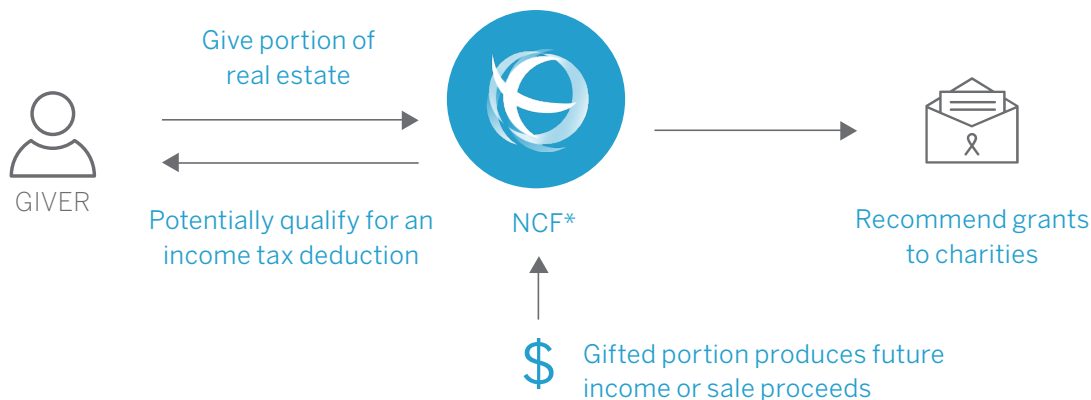


# Using your real estate to fund charity

Helping real estate owners multiply charitable impact by giving non-cash assets

Many real estate investors have a heart to give charitably but feel hindered by their limited cash flow, non-cash assets, and growing taxation of their investments. Our team of charitable giving professionals at the National Christian Foundation (NCF) can work with you and your professional advisors to give interests in appreciated real estate (raw land, residential, and/or commercial real estate) to us prior to any potential future sale. This strategy may avoid capital gains taxes on the gifted portion, and you will likely receive an income tax deduction for the fair market value of the gift, freeing up additional cash flow for more giving.



## THE BENEFITS OF GIVING REAL ESTATE

- Preserve the full fair market value of the gifted asset for charitable impact.
- Potentially avoid or reduce capital gains taxes, moving more dollars to charity.
- Maximize your giving by leveraging the deductions reserved for non-cash assets (up to 30% of AGI).
- Potentially reduce current-year income taxes providing increased cash flow for more giving.
- Work with one charitable team (NCF) but recommend grants to multiple charities now or over time.

## THE RESULTS OF GIVING BEFORE THE SALE

This table shows the impact of giving a \$450,000 piece of land with a \$50,000 cost basis and no debt.<sup>†</sup>

	Family	Taxes	Charity
<b>Sell now, give cash later</b>	\$120,900	(\$25,900)	\$355,000
<b>Give property before a future sale</b>	\$154,900	(\$154,900)	\$450,000
<b>Difference</b>	\$34,000	\$129,000	\$95,000

As a result of giving assets vs giving cash, **\$95,000** more would go to your favorite charities and potentially **\$129,000** less in taxes.

<sup>†</sup>Other assumptions: 37% tax rate + 3.8% NIIT, \$1.5M of other AGI, \$10k of other itemized deductions, \$0 QBI deductions, and married filing jointly.

## QUESTIONS FOR DISCUSSION AND CUSTOM ILLUSTRATION

How long have you owned the real estate?

Do you receive any income from the property?

What would you estimate to be your current tax basis?

Has an environmental report been completed in the past (if non-residential property)?

What would you estimate to be the fair market value?

Have you already agreed to sell the property?

What has been the historical use of the property?

Do you pay Net Investment Income Tax (NIIT), also known as the Medicare surcharge?

Is there any debt associated with the property? If so, how old?

## A CLOSER LOOK AT THE TABLE ON PAGE 1

The table below shares more details of the example from the previous page, providing assumptions and context of the real estate gift.

### Sell now, give cash later

Family \$120,900	Taxes (\$25,900)	Charity \$355,000
You make a cash gift of \$355,000 (\$450,000 sale proceeds - \$95,000 tax) after selling the property. You claim a charitable deduction of \$326,800 (\$355,000 gift - \$9,500 charitable floor - \$18,700 itemizer reduction). The potential income tax savings are \$120,000 (\$326,800 deduction x 37% federal tax rate).	You sell the property first, triggering a long-term capital gains tax and NIIT of \$95,000 (\$450,000 sale - \$50,000 basis = \$400,000 capital gain; \$400,000 x 23.8% capital gains and NII tax rates = \$95,000 tax). This may be offset by the estimated \$120,900 in tax savings from the deduction of the post-sale cash gift, which potentially saves an additional \$25,900 in taxes by offsetting other income.	Only \$355,000 goes to giving, since you're giving from the after tax proceeds (\$450,000 - \$95,000 in federal taxes).

### Give property before the sale

Family \$154,900	Taxes (\$154,900)	Charity \$450,000
You make a gift of property worth \$450,000 and claim a charitable deduction of \$418,600 (\$450,000 gift - \$7,500 charitable floor - \$23,900 itemizer reduction). At a rate of 37% x a \$418,600 deduction, your family could potentially save \$154,900 in taxes. Because you gave the property away and the charity sold it, the sale proceeds do not increase your AGI and reduce the negative impact of the charitable floor.	Since a public charity owns the asset at the time of sale, no capital gains or NIIT tax is owed. Your family receives the value of the charitable deduction that may save you \$154,900 in taxes.	The full \$450,000 goes to giving, since we pay no capital gains tax or NIIT on the gifted property.

As a result of giving assets vs giving cash, **\$95,000** more would go to your favorite charities.

NCF does not provide tax or legal advice. The calculations shown are for illustrative purposes only, and include assumptions that may not apply to your specific facts and circumstances. Thus, there is no assurance the savings depicted in the illustration can or will be achieved. Consult with your professional and/or tax advisors prior to entering into any gift arrangement.