

Charitable Gifts of Real Estate
A Case Study in the Opportunities and Challenges

**Susquehanna Valley Council of
Charitable Gift Planners
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for PDF of presentation
www.connellandassoc.com/articles



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Three kinds of gifts

OUTRIGHT GIFTS	ESTATE GIFTS	LIFE INCOME GIFTS
<ul style="list-style-type: none">• Immediate Gift★ Bargain Sale★ Installment Bargain Sale• Retained Life Estate	<ul style="list-style-type: none">• Testamentary Will Bequest• Testamentary Trust Bequest• Retained Life Estate	<ul style="list-style-type: none">• Gift Annuity ★• Charitable Trust ★
❖ Combination of above strategies		



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Donor demographics?



- 1. Mission oriented
 - Previous donor history
- 2. Aging property owners
 - 65 or older
- 3. Ability to use tax benefits and carryforward tax benefits under 2018 tax law
 - 30% of AGI deduction for appreciated property
- 4. Relief from headaches of ownership and management

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Donor demographics?



- 5. Desire income from low income or no-income property assets
 - Lots and land that produce no income
- 6. Desire deductions to offset other gains
- 7. Simplify family distribution decisions
- 8. Owns debt free or relatively small loan on property
- 9. Donating to knowledgeable charity that can accommodate gifting needs

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Trends: Second home real estate wealth

- In 2015 1 in 10 households owned 2 properties
 - 1 in 25 owned 3+ properties
- 6.6% of 3,141 counties are classified as vacation home counties
- The median sales price in vacation home counties rose 36% during 2013 to 2018 compared to 31% for all existing and new homes sold



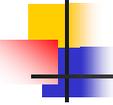
Source: National Association of Realtors, 2018

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Preliminary questions to ask

1. Address of property
2. How do you own the property
 - Individual, trust, partnership, corporation
3. Is there a mortgage or debt on the property
 - Existing or potential liens
4. May I have access to property for initial evaluation
 - Expenses to carry property, electric, water, maintenance, insurance taxes
5. Is property listed for sale?
 - Professional representation

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Roadblocks to real estate gifts

- Charity of choice may not be able to accommodate real estate gift option
- Donor may not have access to creative professional who can solve problems and comply with gifting rules and regulations
- Time consuming
- Costs involved
- Ownership issues – all stakeholders must agree on gifting concept

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Do you really want to do real estate Board Objections

- How do we know what it is worth?
- Real estate values are going down we will get stuck with it!
 - **REAL ESTATE** - The average single-family home nationwide peaked in value on 6/30/07 but has dropped by 17% from that maximum value as of 6/30/12
 - **HOUSING VALUES** - The average home price in the USA dropped by 19.4% (in aggregate, not per year) over the 5-years ending 3/31/12 (source: Office of Federal Housing Enterprise Oversight)
- I know someone who has been trying to sell property for over 4 years, why would we take it?
- It is costly to keep and costly to sell, just get cash instead. Too much unknown liability exposure.
- Lack of qualified staff for the intake, management and sale of property
- We do not want to get stuck AGAIN!!!!!!!!!!!!!!

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Do you really want to do real estate

Staff response

- We get many gifts of non-cash assets
- Unlike stocks where we know the value we will have to get at least two appraisals to know the value
- Most real estate gifts will be \$100,000+
 - **HOME VALUES RISING** - Between 6/30/18 and 6/30/19, average home prices increased in all 50 US states. Idaho's +11.4% average home price gain led the nation over the last year while Delaware's +1.2% growth rate was the nation's smallest (source: Federal Housing Finance Agency).
 - **HOME SWEET HOME** - Only 46% of 1,025 retirees surveyed own their home free and clear of any debt. 54% of retirees still have a mortgage or they rent (source: SOA 2017 Risks and Process of Retirement Survey).
- A charity can hold real estate until the market comes back

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Do you really want to do real estate

Staff response

- Opportunity for donor to make a significant gift with an asset no longer needed
 - Sell
 - Downsize
 - Offload management responsibilities
 - Give outright for deduction to offset other income
- We can use charitable strategies to acquire land around our campus/office, or for new facilities
- A knowledgeable consultant can assist with this gift
- National foundation may take real estate and we can benefit now or in the future

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Fidelity Charitable

www.fidelitycharitable.org



Donating residential real estate to charity

How to increase your gift to charity by donating real estate directly

Before you sell residential real estate and donate the net proceeds to charity, consider donating that property directly to a charity for two major benefits:

- A potential income tax charitable deduction for the fair market value.¹
- A greater gift to charity—charities don't pay capital gains taxes, so the full value of your gift goes to causes you care about.

And there's a third benefit of donating real estate to a public charity with a *donor-advised fund* program such as the Fidelity Charitable *Giving Account*—the opportunity to recommend how the *contribution is invested* on a tax-free basis, potentially increasing the amount of charitable support over time.

¹Fair market value of the property, as determined by a qualified independent appraisal.

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Minnesota real estate foundation



REAL ESTATE Giving LLC

- The Minnesota Real Estate Foundation (MREF) started in 2003 after seeing a statewide need to facilitate gifts of real estate.
 - <https://www.communitygiving.org/foundations/minnesota-real-estate-foundation>
- Research shows that while **real estate comprises 44 percent of the U.S. net worth**, but **only 2% of the gifts made to charities** come in the form of real estate.
- The Foundation remains the only organization set up exclusively for gifts of real estate in the state of Minnesota. The MREF aims to build community by simplifying and facilitating the gifting of real estate.
- Some of the state's leading experts in this field guide the Foundation. Our board of directors have extensive expertise in the areas of banking, real estate development, law, financial planning, accounting, fundraising and nonprofit management.

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Realty gift fund

<https://www.realtygiftfund.org>



- To promote a transformation in charitable giving by accepting real estate gifts of any type... anywhere, fixing or remediating assets before converting them to cash, and using the excess proceeds to make grants to other non-profit organizations.

- Through its grants and educational efforts, RGF is committed to pioneering a meaningful impact on charitable giving through gifts of real estate.



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Steps to Take Before Accepting Real Estate...when you don't have a policy

- Get an appraisal
- Ask a professional broker to evaluate the appraisal
- Hire a lawyer to review contracts
- *"Kick the tires"* Inspect and have the property inspected
- Mention/urge donor to pay for environmental evaluation
- Figure out how much income a commercial property could provide

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Steps to Take Before Accepting Real Estate...when you don't have a policy

- Determine monthly costs of keeping the property and project future maintenance costs
- Identify all potential risks owning the property and selling it in the future
- Figure out how to manage the property once it is gifted and purchased
 - Source: Chronicle of Philanthropy, August 2009
- **NO TIMESHARES**

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GIFTS OF REAL ESTATE:
Give a Home. Give Hope.

FOR YEARS, NATIONAL GEOGRAPHIC has enriched your life at home. Now, for the first time, your home can enrich National Geographic—and the world. Your donation of real estate (a home, second home, or other property) benefits the planet by supporting research and exploration. The same donation benefits you by providing a substantial tax break. Contact National Geographic to learn how your home can make all the difference in the world.

For more information, please call
The Office of Estate Planning at National Geographic
Tel: (800) 226-4438 | Email: plannedgiftinfo@ngs.org
National Geographic is a 501(c)(3) tax-exempt organization.

www.nationalgeographic.org/donate

CELEBRATING 125 YEARS A NEW AGE OF EXPLORATION
PHOTO: NAIMESH BAYNATTE COPYRIGHT © 2013 NATIONAL GEOGRAPHIC SOCIETY

- National Geographic launches first ever real estate gift ad

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What you want- Castello di Casole, Tuscany



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What you get offered?



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CERCLA statue



- Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (Superfund Act)
- Any person, or entity in the chain of title (even briefly) can be held liable for environmental cleanup, even if it did not in any way contribute to the hazardous waste
- Solutions:
 - Single Member Charitable LLC →
 - Supporting Organization
 - FLIP charitable remainder unitrust

REAL ESTATE

After creating a special purpose, single-member LLC with RCF as the sole member to receive, hold and manage real estate, RCF accepts gifts of real estate as long as the donor has not entered into a binding agreement to sell.

Renaissance Charitable Foundation (RCF) is a §501(c)(3) publicly-supported charity that operates private-label donor-advised fund programs

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Mortgage on property



- Reduces equity of fair market value and creates a bargain sale
 - Recourse – against the property and the owner
 - Non-recourse – solely against the property
- Mortgage removal strategies
 - Pay off
 - Transfer to other property
 - Charity short term low interest loan
 - Charity purchase percentage interest

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If I gave you \$100,000 and charity could make \$50,000 in the next 6 months would you take that deal?



**Take my
real
estate..
Please?**

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Types of real estate



- Personal residence
- Vacation home
 - Non-rental
 - Rental property
- Commercial property
 - Used in taxpayers business
 - Motels, recreational parks, farms,
 - office buildings, golf courses,
 - mobile home parks, and more
- Condominium
- Farmland
- Investment real estate
 - Apartments, office buildings
- Raw land



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Forms of real estate interests

Type of Ownership	Description
Full Ownership	
Fee Simple Absolute	The most complete form of ownership; continues forever until conveyed.
Fee Simple Defeasible	Fee ownership, subject to a condition precedent or condition subsequent.
Fee Simple Determinable	Ownership ends upon the happening of an event, and the property reverts to the owner. For example, a donor makes a gift to the school board so long as the property is used for school purposes; if not used for school purposes, the property will revert to the donor.
Fee Tail	Ownership passes through lineal descendants; while possible to continue forever, ownership ceases when there is a generation without lineal descendants. This form of ownership is recognized only in Delaware, Maine, Massachusetts, and Rhode Island.
Partial/Shared Ownership Interests	
Tenancy in Common	Undivided interests in the whole (equal or unequal shares).
Joint Tenancy with Right of Survivorship	Equal undivided interests during the life of the tenants; when a tenant dies, that interest passes in equal shares to the remaining tenants.
Community Property	Under the laws of community property states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington; Wisconsin has similar laws), property acquired during marriage is owned equally by both spouses.
Tenancy by the Entirety	In some non-community property states, property purchased during marriage is owned by the husband and wife as tenants by the entirety. The property cannot be sold by the husband or wife individually during the marriage. The parties become tenants in common if the marriage is dissolved.
Condominiums	An exclusive right to own, occupy, sell, or transfer a specific unit, coupled with an undivided interest in the real and personal property in the common areas.
Life Estates	The right to occupy, use, and control the property for a stated life or other measuring term; at death, the life estate owner's rights in the property are extinguished.
Remainder Interests	The ownership of the full fee interest in real property subsequent to a life owner's rights in the property.

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Forms of real estate interests

Indirect Ownership Interests	
Partnerships	Real estate may be owned by a partnership, which passes through the character and amount of income, losses, and liability to partners. If an owner is a limited partner, liabilities may be limited to a stated amount. Debt-financed property can generate unrelated business taxable income.
Corporations	Corporations may also own real estate; owners hold stock in the corporation (either C or S) rather than direct interests in the real estate.
Limited Liability	A limited liability company—an entity defined by state law—can operate as a partnership (passing through the character of the income, losses, and liabilities) or as a corporation. If it operates as a partnership, watch out for unrelated business taxable income.
Real Estate Investment Trusts	Real estate investment trusts (REITs) are publicly traded companies that own, trade, and manage real estate. Most income and gains pass to shareholders of the company, but it is possible to generate unrelated business taxable income.
Irrevocable Trusts	Irrevocable trusts—trusts with terms that cannot be altered—for individuals or for charitable interests may hold or receive property. Use extreme care when transferring real property or a real property interest to a charitable remainder trust, since any unrelated business taxable income in a year will cause the trust to lose its tax-exempt status for the year.
Life Estates	The right to occupy, use, and control the property for a stated life or other measuring term; at death, the life estate owner's rights in the property are extinguished.
Revocable Trust	Management tools that place title to property in a trustee but leave equitable ownership in the assets and the income from them in the trust owner/beneficiary—can hold real estate.

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What is real estate worth?

- Appraisal requirements
- Qualified appraiser
- Property description
- Fair market value
- Comparable sales and other specifics
- Environmental issues
- The IRS can impose a 20% penalty for an underpayment of tax that results from a "substantial valuation misstatement" (Sec. 6662(b)(3))



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What is real estate worth?

- Assessment date is available on all US properties
- The kind of home a family owns usually reflects its economic status
- Primary source is the assessor for the county or township where the property is located
 - Assessed value
 - Market value



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What is real estate worth?

- Links to assessor's websites:
 - www.pulawski.net
 - www.publicrecords.netronline.com
- Rough idea of market value
 - www.zillow.com
- Spend a little money?
 - www.knowX.com has indexed real estate information from most counties across the country, costs \$7 per record.

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Sample Assessor Printout

ROB TURNER, CFA
 www.hcpafl.org
 TAMPA, FL

HILLSBOROUGH COUNTY PROPERTY APPRAISER

ABOUT HCPAFL IMPORTANT INFORMATION PROPERTY RECORD SEARCH ORDER MAPS LINKS EMPLOYMENT OPPORTUNITIES

PROPERTY RECORD

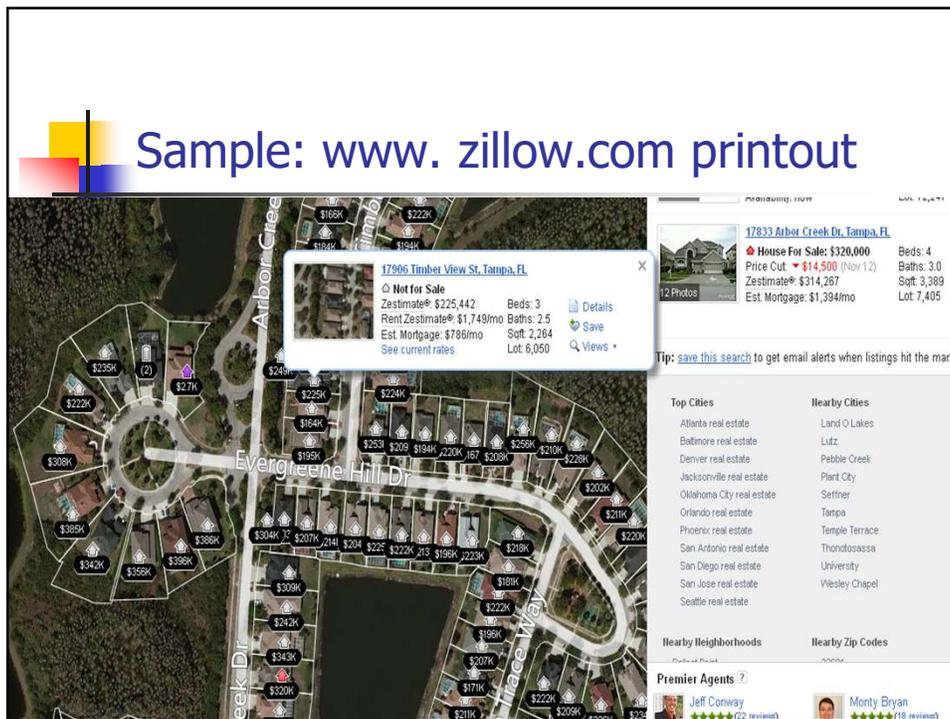
OWNER NAME SEARCH: [REDACTED] PIN: A-17-27-20-5TR-00025A-00003.0
 ADDRESS SEARCH: Mailing Address [REDACTED] Folio: 059403-4152
 FOLIO NO. SEARCH: [REDACTED] Prior PIN: A-16-27-20-ZZZ-000001.91660.0
 PIN NO. SEARCH: [REDACTED] Prior Folio: 0593990000
 Tax District: TH TAMPA
PROPERTY USE: 0100 SINGLE FAMILY R
 Plat Book / Page: 96 / 74
 Neighborhood: 216005.00 | Arbor Green Area
 Subdivision: 5TR | ARBOR GREENE PHASE 7 UNIT 2

VALUE SUMMARY

TAXING DISTRICT	MARKET VALUE	ASSESSED VALUE	EXEMPTIONS	TAXABLE VALUE
County	\$169,781	\$169,594	\$50,000	\$119,594
Public Schools	\$169,781	\$169,594	\$25,000	\$144,594
Municipal	\$169,781	\$169,594	\$50,000	\$119,594
Other Districts	\$169,781	\$169,594	\$50,000	\$119,594

GIS MAP

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Gifts of real estate

- **Outright** or Fractional Interest
- **Bargain sale**
- **Installment bargain sale**
- Life Estate
- **Gift annuity for 85% FMV**
- **18 month Deferred annuity**
- Directed or simultaneous closing
- **Unitrust and sale**
- **FLIP Unitrust**
- Charitable Lead Trust



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Bargain sale:
The transfer of an asset to a charity for less than fair market value in order to make a gift



Bargain Sale #1 York College of Pennsylvania



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Bargain Sale #1 York College of Pennsylvania

- Surviving spouse, mid 70s
- Inherited building, former physician office, two tenant apartments
- Attorney driven bargain sale
- Appraised value \$91,000
- Bargain sale price \$20,000
- Income tax deduction \$71,000
- IRA rollover gift \$25,000
- Avoided capital gain and depreciation recapture (if any)
- Life simplification

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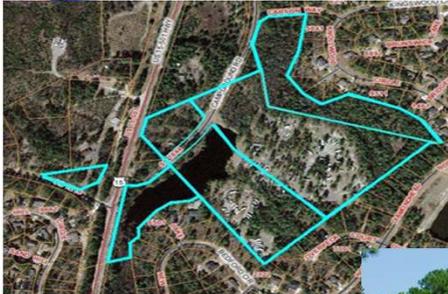
Installment bargain sale #2



- Jim K. family trust owns a campground not too far from hospital
 - 38.10 acres
- Hospital wants to build a 20 bed hospice house
- Donor appraisal using three options: Cost, sale and income: \$3,010,000
- Original cost \$350,000,
 - improvements \$1,000,000

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Installment bargain sale #2



FirstHealth Hospice House

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Installment bargain sale #2



- Hospital offer \$1,500,000 note, 180 quarterly payments, 6% interest
- Counter offer - \$1,800,000, 60 quarterly payments, 6%

Loan Calculator

Enter Values		Loan Summary	
Loan Amount	\$1,800,000.00	Scheduled Payment	\$ 45,708.17
Annual Interest Rate	6.00 %	Scheduled Number of Payments	60
Loan Period in Years	15	Actual Number of Payments	60
Number of Payments Per Year	4	Total Early Payments	\$ -
Start Date of Loan	1/1/2008	Total Interest	\$ 942,490.16
Optional Extra Payments			

Lender Name: Kirkpatrick 15 years

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance
1	4/1/2008	\$ 1,800,000.00	\$ 45,708.17	\$ -	\$ 45,708.17	\$ 18,708.17	\$ 27,000.00	\$ 1,781,291.83
2	7/1/2008	1,781,291.83	45,708.17	-	45,708.17	18,988.79	26,719.38	1,762,303.04

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Bargain sale depreciated real estate #3



- Dr. Gerber sale of medical office building
- Appraisal - \$590,000

No Bargain Sale			Capital Gain	Taxes
FMV	\$590,000	100.00%	\$331,121	\$75,330 Federal and State taxes
Expense (5%)	\$0			
Loan repaid	\$0			
Net to seller	\$590,000			
Cost	\$258,879	43.88%	Recapture	
Basis	\$169,599	28.75%	\$89,280	\$29,239 Recapture taxes
				\$104,569
			Net to Donor	\$485,431

Note: size of gain may force taxpayer into the additional 2.8% Obama investment tax

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Bargain sale depreciated real estate #3



- Dr. Gerber sale of medical office building
- Appraisal - \$590,000

Bargain Sale calculations for depreciated Real Estate \$150,000 purchase price					
		Percentage			
Fair Market Value	\$590,000	100.00%	Capital Gains Rate		15.00%
Loan Consideration	\$0	0.00%	Depreciation Tax Rate 25% fed+7.75% NC		32.75%
Original Cost	\$258,879	43.88%	State Income & Capital Gains Rate		7.75%
Depreciated Cost Basis	\$169,599		Individual Marginal Tax Rate		25.00%
Bargain Sale Price	\$150,000	25.42%			
Charitable Deduction	\$440,000	74.58%			
Note: Hospital total cost	\$150,000				

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Bargain sale depreciated real estate #3



- Dr. Gerber sale of medical office building
- Appraisal - \$590,000

Bargain Sale Adjustment		Deduction	Bargain Price	Capital Gain	Rate	Taxes	Tax Savings 3% adj	
FMV	\$590,000	100.00%	\$440,000	\$150,000	\$22,698	22.75%	\$5,164	\$373,418 \$11,203
Cost	\$258,879	43.88%	\$193,062	\$65,817	Recapture			32.75%
Basis	\$169,599	28.75%	\$126,481	\$43,118	\$22,698	32.75%	\$7,434	\$122,294
Recapture	\$89,280	15.13%	\$66,582	\$22,698		Total Taxes	\$12,598	
Recapture deduction from gift amount				\$66,582		Net taxes	-\$109,697	
Based on adjusted gross income of \$165,900 and a 30% of AGI deduction limit						Net to Donor	\$259,697	

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Real estate CGA case study #4



- Why a gift annuity strategy?
- Donor objectives
- Charity objectives
- Evaluation strategies
- Decision matrix
 - CEO, CFO, Board, Development
- IRS requirements
- Detail information in Newsletter at link--
 - www.connellandassoc.com/Newsletters/October2012issue.htm

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Why a CGA



- Most popular life income split interest agreement
- Simple to set up, no trust drafting
- Negotiated with donor and/or advisors
- Convenience factors for donor
- Risk factors for charity
 - Longevity
 - Investment

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**Real Estate Evaluation Form for Charities Accepting Homes, Land
 or Other Real Estate for Charitable Gift Annuity Agreement**

Donor: _____ Donor Age: _____
 Donor: _____ Donor Age: _____
 Normal Charitable Gift Annuity Rate: _____
 Real Estate gift annuity rate = ACGA rate -.05% _____

PLANNING TOPIC(A)	PLAN 1(B)	PLAN 2(C)	Formula(D)	EXAMPLE(E)
Appraised value for tax deduction	\$0.00	\$0.00	D2	\$150,000.00
Selling adjustment(% of value)	0.00%	0.00%	D3	10.00%
Selling adjustment value	\$0.00	\$0.00	D2*D3	\$15,000.00
Gross Sale Price	\$0.00	\$0.00	D2-D4	\$135,000.00
Selling expenses (% of sale for commission, transfer fees, other expenses)	0.00%	0.00%	D6	8.00%
Total expenses	\$0.00	\$0.00	D5*D6	\$10,800.00
Cash received by charity	\$0.00	\$0.00	SD5-D7	\$124,200.00
Carrying expenses before sale of asset (insurance, taxes, assessments, management fees, other)	\$0.00	\$0.00	D9	\$3,000.00
Adjustment for annuity income paid to donor prior to asset sale (estimate one year payment)	\$0.00	\$0.00	D10	\$8,000.00
Total cash received by charity to fund annuity agreement	\$0.00	\$0.00	SD8-(D9+D10)	\$113,200.00
Annual annuity payment	\$0.00	\$0.00	D12	\$8,000.00
Annuity rate on appraisal value	??	??	D12/D2	5.33%

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Real estate CGA case study #4




- June is a 85 year old
- Recently widowed
- Good health
- Financially secure
- Prior experience with gift annuities
- Florida resident considering relocation to be closer to family/friends
- Considering retirement community

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Real estate CGA case study asset #4

- Built in 2004
 - 3 bedrooms
 - 2 baths
 - Large lot
- 2,500 square ft
- Appraisal #1
 - \$180,000
- Appraisal #2
 - \$185,000
- No mortgage



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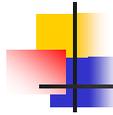
Real estate CGA case study asset #4



- Hospice that took care of deceased husband
- First real estate gift annuity
- Guidelines
 - FMV discount 10-15%
 - Considered outright gift, fully deductible
 - Rate discount -.05% of ACGA rates to max of 7.0%



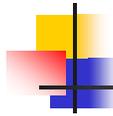
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Proposal and Memorandum of Understanding

- Rights and responsibilities of each party
- FMV of asset for annuity \$164,250
 - Average value of two appraisal \$182,500
 - 10% discount = \$18,250
 - Net value \$164,250
- ACGA annuity rate for age 85 = 7.80%
- Maximum rate offered = 7.0%
- Two charitable deductions
 - One for discount \$18,250
 - One for gift annuity \$101,666
- Skip first short payment

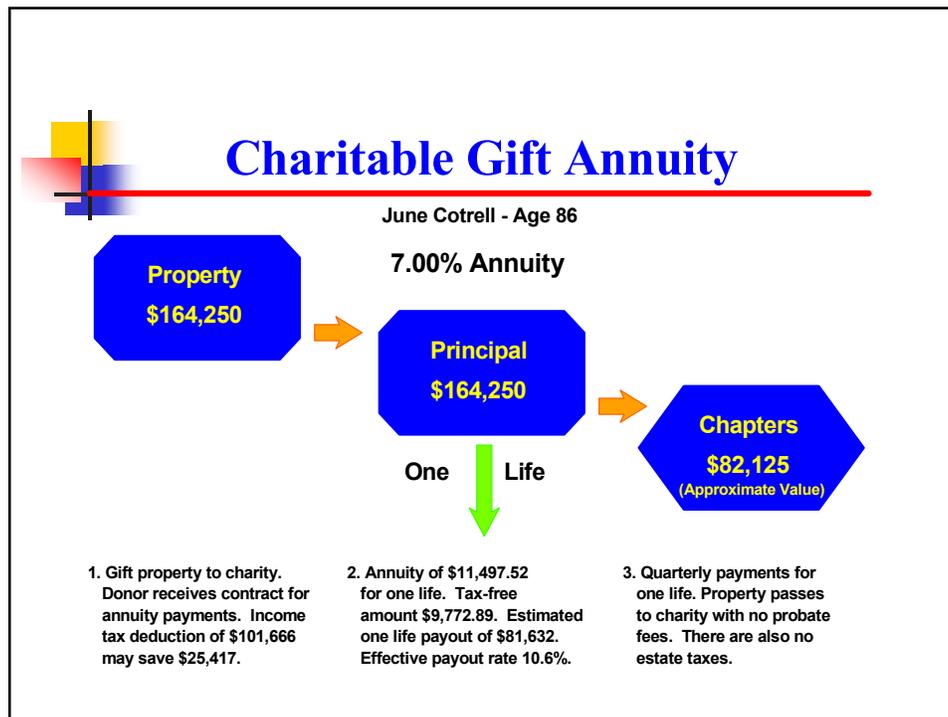
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Proposal and Memorandum of Understanding

- Legal description of property
- Free and clear of all encumbrances
- Draft gift annuity agreement with values and payments
- Responsibility for closing costs, taxes, transfer fees, transfer of utilities
- Final inspection of deeds, documents, property prior to transfer
- Statement of IRS rules on transfer, charitable deduction value and reporting responsibilities

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IRS Reporting

Gift Annuity

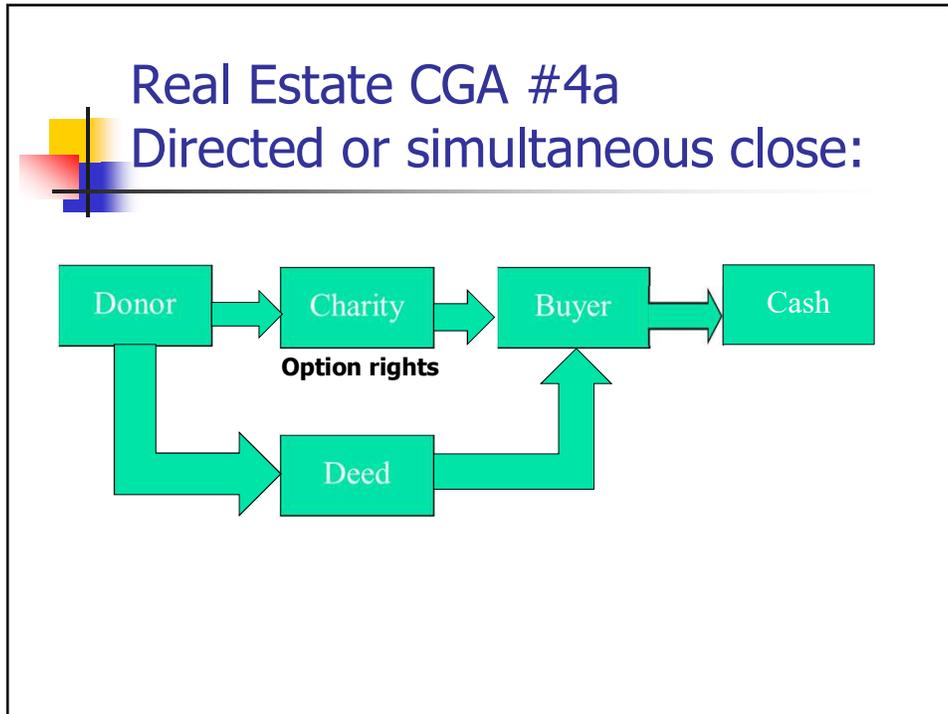
- Tax substantiation letter
- Crescendo life income calculations
- IRS form 8283 completed
 - Appraiser
 - Charity
 - Donor
- Appraisal attached

Outright Gift

- Outright gift receipt
- IRS form 8283 completed
 - Appraiser
 - Charity
 - Donor
- Appraisal attached



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Real estate CGA case study #5



- David and Peggy
- Active retirees, ages 77 and 80
- Moving from NC to MD into a retirement community for her health reasons
- Former marketing executive, one son employed by world bank in India
- No gift annuity experience
- David initiated call to retirement community on what they could do if they gifted home for life income
- Preliminary attorney suggest gifts that were unworkable
 - **Issues**
- Retirement Foundation contracted with consultant

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Real estate CGA case study #5



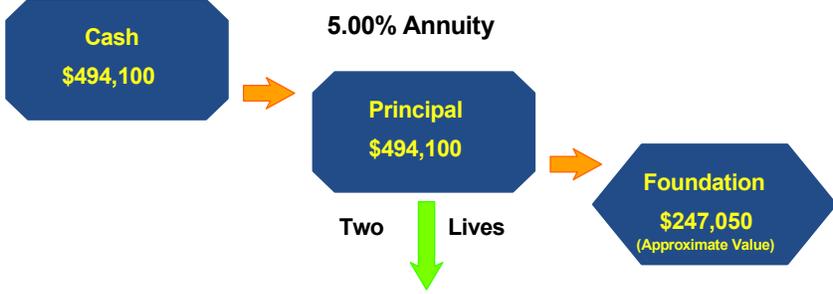
- Home listed for sale, \$650K, \$625K, then \$599K
- Local attorney recruited for paperwork
- One personal visit, balance by email and phone

- Complete by December 31st
- Solution: 90%-10% CGA, 5% payment
- Foundation attorney drafted CGA agreement
 - **Issues**
- Appraisals \$549K & \$540K
- Sale price \$525,000, two years
- Two deductions:
 - 10% outright gift, \$54,900
 - 90% gift annuity, \$232,844

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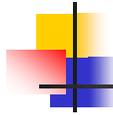
Charitable Gift Annuity

David B. - Age 77 Peggy B. - Age 80



1. Gift property to charity. Donor receives contract for annuity payments. Income tax deduction of \$232,845 may save \$58,211.
2. Annuity of \$24,705.00 for two lives. Tax-free amount \$18,800.51. Estimated two lives payout of \$370,575. Effective payout rate 7.1%.
3. Quarterly payments for two lives. Property passes to charity with no probate fees. There are also no estate taxes, if married.

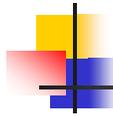
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Real estate CGA case study #6 - 18 month deferred annuity

- Charity agrees to pay fixed guaranteed annuity using 80% - 85% of the property value
- *Payments begin 18 months from closing or beyond*
- Deferred payment increases payment
- 0.10% increase for each 18 months
- Deferred payment increases deduction
- Can defer payments beyond 18 months

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Real estate FLIT CRT case study #7

- Created December, 1998 by tax law update
- Mostly used with hard to value property and real estate
- Starts as an net income only CRT
 - Can be makeup or no make up
- When a *trigger event* happens it FLIPs to a standard payment CRT beginning Jan 1 of the year following the trigger event
 - Trigger events may be any event: sale, retirement date certain, death of beneficiary, etc.

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Real estate FLIT CRT case study #7



- Jim (73) and Anne (69) Crabbe
- Iowa farmland and buildings, 239.69 acres
- FMV appraisal \$944,000, cost **\$194,709**
- Strategy: Sale 60% and FLIP Unitrust 40%
 - Cash out \$566,640
 - Unitrust @6.50% \$377,760, **deduction \$129,575**
- Beneficiaries: 70% Hospital, 30% College
- No trust taxes = \$166,881
- 60/40 sale/unitrust = \$47,962 net taxes

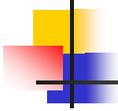
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Flip CRT income generation

“Valley of Income” in the Post-Sale/Pre-Flip Period



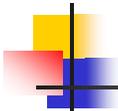
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Not all gift options are successful!

- Bill Weiss, Travers City, Michigan
- Age 70, widow,
 - Step up in property basis
- Owns 17+/- acres on Torch river adjacent to the Torch River Marine
 - Cost basis \$10,000
- Marina needs land to meet DER requirements
 - Offer \$250,000/\$10,000 earnest funds now
 - RV park
 - Dump dredge spoilage
- #1 consultant suggestion from July visit: FLIP CRT-5%
 - No trust taxes = \$67,320
 - Bypass gain on property
 - \$130,912 deduction
 - Annual payout \$12,000+/- year
 - Sept, sample CRT shared
 - Sept, revisit donor
- #S, Aug, new staff director for PGs

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Not all gift options are successful!

- #2, CPA, Sept, suggests donor just gift the 17+/- acres outright to Hospital
 - Full appraisal deduction
 - Donors does not need increased income
- #3, Hospital, Oct, attorney gets involved and suggest Hospital needs to have firm repurchase agreement before it will accept title
 - Environmental and chain of title concerns
 - Proposes a 40% interest
- #4, consultant #2 reviews memorandum of sale uncovers major tax and prearranged sale issues
 - Rev.Rul. 78-197
- #3, Hospital attorney
 - "We do not want to get stuck with an unsaleable interest in this property"
- #5, Oct, purchaser has cash to close and needs to close by a certain date to meet DER deadline

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Not all gift options are successful!

- #1, Oct, consultant suggest a CGA substitute for FLIP-CRT if income concerns
 - Establish FLIP-CRT on 17+/- acres and **give up interest** anytime to hospital
- #2, Oct, CPA has concerns cost basis assumptions is not correct due to step up basis
 - Effects savings assumptions
- Nov, Bill now has a significant other love interest, taking her to his Texas condo for the holidays
- Now interested in only making \$100,000 gift to hospital and keeping \$150,000 to spend
- Nov 15th Bill signs agreement of sale, receives \$250,000 at closing
 - Gifts \$25,000 to Hospital
 - Gifts \$25,000 to College

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Charitable Gifts of Real Estate

A Case Study in the Opportunities & Challenges

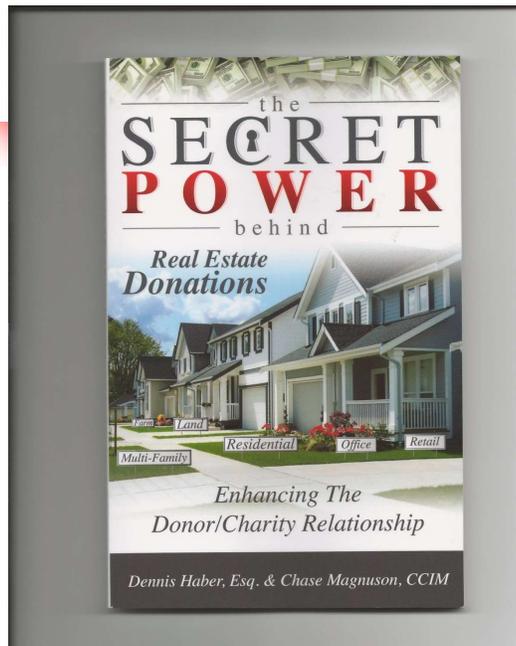


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Consultants for Charitable Gifts of Real Estate

- Chase V. Magnuson CCIM, CIPS, SRES
Real Estate for Charities
www.realestateforcharities.org
- Dennis Bidwell
Bidwell Advisors,
19 Forbes Avenue
Northampton, MA 01060 www.bidwelladvisors.com

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www.secretpowerbehindrealestatedonations.com

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Introducing the
**HIGHER FORM
OF GIVING PROGRAM**

▲
For Gifts of Real Estate

Administered by
The Education Foundation
of the CCIM Institute



**HOW WE MAKE GIFTS OF REAL ESTATE
BETTER TO GIVE & RECEIVE**

Step 1.
Fundraisers approach potential donors of real estate properties with help from the **Higher Form Of Giving Program** that clearly defines the ease of process and depth of advantages.

Step 2.
When the giver is ready to move forward, specialists from the **Higher Form Of Giving Program** make direct contact and begin the donation process.

Step 3.
Marketing of property may be turned over to a CCIM (Certified Commercial Investment Member) Designee, a recognized expert in the commercial and investment real estate industry (in the case of residential properties, properly qualified professionals are enlisted). The elite corps of CCIMs and their affiliates include brokers, leasing professionals, investment counselors, asset managers, appraisers, corporate real estate executives, property managers, developers, institutional investors, commercial lenders, attorneys, bankers, and other allied professionals. The global commercial real estate network of 15,000 CCIM members close thousands of transactions annually, representing more than \$200 billion in value.

Step 4.
The property may be sold and the charitable organization receives a donation.

Step 5.
Everybody feels good.

The Education Foundation of the CCIM Institute was established in 1988 to advance and support the educational and research initiatives that enhance the value and prestige of the CCIM designation and other career-building programs of the CCIM Institute. To find out more, please visit us at www.ccimef.org.

Giving
fundraisers
new reasons
to aim
higher



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The all-in-one solution that's good for all

A down economy hasn't been the only roadblock to charitable fundraising. Until recently, the generosity of those wishing to donate real estate to just causes has been thwarted because of perceived risks to the recipients. In fact, 80% of real estate offered to charity have been turned away due to:

- Fear of drain and scope creep on time and resource challenged staffs;
- Costs of investigation including legal issues;
- Hidden encumbrances, and any or all other due diligence issues;
- Environmental risks;
- Holding costs including maintenance, entitlements and market futures.

Now with the **Higher Form Of Giving Program**, fundraisers may be able to secure the **donation of real estate-related assets** with less risk and no hands-on involvement. With its best-of-class real estate heritage, the Education Foundation of the CCIM Institute is uniquely qualified to facilitate these problematic real estate donations for **any qualified charity**.

**BUILDING DONATIONS ON
A SOLID FOUNDATION**

- The **Higher Form Of Giving Program** allows the donor to make a charitable donation of real estate to the charity or charities of the donor's choice.
- Everything in between is administered by the non-profit Education Foundation of the CCIM Institute, the leader in creating and delivering the commercial real estate industry's highest level of education, technology and research for best transactional and ethical practices, with 15,000 members around the world.
- The Program is run by professional specialists

from all real estate disciplines, from financial to compliance, selected by the Education Foundation of the CCIM Institute for their years of experience and success in the most difficult and obscure transactions of this kind.

**HIGHER POTENTIAL
THROUGH LOWER RISK**

Besides an appraisal fee paid by the donor that is later reimbursed from escrow, there is absolutely no financial responsibility for the giver, recipient or transaction agent:

- The **Higher Form Of Giving Program** takes care of all legal and financial aspects of the gift and the process to translate it into cash for the recipient receives even before the property is finally disposed.
- We cover every front-end cost (besides appraisal) for investigative, due diligence processes with all parties and the banking relationships that enable direct cash settlements.

**EVERYONE BENEFITS FROM
GIFTS OF REAL ESTATE**

- **For Fundraisers** involved with qualifying foundations, charities and non-profits, the willingness of donors to provide charitable donations of real estate is an avenue for needed funding to help offset reduced donations in other categories.
- **Donors** may qualify for a tax benefit based on the current fair market value of the property, not the original purchase price. This type of gift is completely federal tax code compliant and

accepted by the IRS. The advantages of this credible and philanthropic giving of real property may include:

- ~ Satisfaction of helping worthy charitable causes
- ~ Positive public relations opportunities
- ~ Sizeable charitable deductions for a number of years
- ~ Reduction or elimination of capital gains taxes with a possible income stream for the donor while directing funds to a charity through a trust
- ~ Freedom from a financially draining, under performing property
- ~ Elimination of property taxes
- ~ Elimination of property maintenance and other obligations
- ~ Elimination of liability and insurances

• **Individual estate, trust, and tax professionals** can now advise on the fiscal advantages of disposing of real estate by making a charitable contribution.

LET'S GET MOVING

Everyone agrees that charitable fund raising is a challenge and needs a stronger economy to prosper. Another avenue for charitable contributions is from the gifting of real estate.

That's why the **Higher Form Of Giving Program** is the right idea at the right time. To find out how we can help you get involved, contact:

Doug Strickland
Director of Real Estate Gifting
(877) CCIMEF1 (224-6331)
info@ccimef.org

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Do You Own Property?



GW accepts gifts of all types of real estate. For information on how you can turn your property into a lasting legacy at GW, look on the opposite side of this page and return the coupon on the right.

Yes, I'm Interested.

Please send me more information about gifts of Real Estate

I am interested in giving a gift of Real Estate

Approximate Value: _____

Name: _____

Address: _____

Phone: _____

E-Mail: _____

Clip & Mail to:
 The George Washington University
 Office of Planned Giving - Real Estate
 2100 M Street, NW, Suite 310
 Washington, DC 20037

THE GEORGE WASHINGTON UNIVERSITY
 WASHINGTON DC

For more information, please contact:
 Chase Magnuson,
 Director of Planned Giving for Real Estate
 202-994-4979 or chasem@gwu.edu
 or visit www.gwu.edu/give/waystogive/plannedgifts

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Say Yes Three Times and Receive a Huge Cash Rebate

Yes, I'm a UCSD alumnus

Yes, I'm selling a home or looking to buy a home

Yes, I want a huge cash rebate

Introducing the Alumni Rebate Program

You're in the market for a new home. So you will be listing your existing one. As a member of the UCSD Alumni Association, you can earn large rebates on either or both home sales by enlisting in the Alumni Rebate Program free of charge.

How does it work? HomeSold, a division of Fidelity National Financial Corporation, maintains a nationwide network of participating real estate agents who give back a share of their commissions in exchange for their participation in the program.

These savings are turned over to you in the form of a cash rebate paid when your home is sold or purchased. All you have to do, when you're ready, is contact us. We assign a top performing real estate agent to assist you with your transaction. We choose only the very best agents from among the nation's major real estate companies.

We also assign a special coordinator to assist you

on all the details of your sale or purchase. Your satisfaction will be his or her top priority.

Take the stress out of buying or selling your home by leaving all the details to us. And earn thousands of dollars in cash.

The *Alumni Rebate Program* is presented by HomeSold with financing available from Greenlight Financial Services.

How huge is huge?

Proceeds on sale of existing home	\$300,000
Real estate agent rebate on sales commission	\$2,250
Purchase price on new home	\$400,000
Real estate agent rebate on purchase commission	\$3,000
Total rebate using Alumni Rebate Program	\$5,250

The example above is based upon real estate agents receiving a 3% commission on the actual sales price and purchase price of a home. Your actual rebate may vary.

Visit
www.alumni realestateservices.com

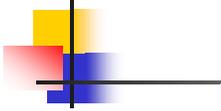
Call
 (800) 615-4699



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James E. Connell & Associates
 Charitable Estate and Gift Planning Specialists
 Box 3335, Pinehurst, North Carolina 28374
 Phone 910-295-6800 Fax 910-295-6866
 "Building Endowments for American Charities"

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The Amazing Charitable Gift Annuity

Trading One's Home for Cash and a Gift Annuity



Peggy was eager to move into her dream unit at Rose Villa but couldn't sell her home in West Vancouver. She then read an article in the *Senior Messenger* about the real estate program at Fort Vancouver National Trust whereby the Trust acquires one's residence in exchange for cash and a charitable gift annuity. Peggy inquired and the exchange was executed within a six-week period.

As the illustration shows, Peggy received cash that she used for her down payment at Rose Villa and, beginning in December of 2010, will receive life-income payments from her gift annuity. (Peggy's rate is higher at 7.2% by deferring payments for one year.) Peggy declared, "This really worked well for me. I'll also leave a testamentary endowment gift to the Trust that will bear my name and provide some perpetual support to their very special mission."

Rates for One Life Gift Annuities*

Age	Rate	Age	Rate
60	5.0%	76	6.4%
61	5.1%	77	6.6%
62	5.1%	78	6.7%
63	5.2%	79	6.9%
64	5.2%	80	7.1%
65	5.3%	81	7.3%
66	5.4%	82	7.5%
67	5.4%	83	7.7%
68	5.5%	84	7.9%
69	5.6%	85	8.1%
70	5.7%	86	8.3%
71	5.8%	87	8.6%
72	5.9%	88	8.9%
73	6.0%	89	9.2%
74	6.1%	90+	9.5%
75	6.3%		

* Rates for Two Life Annuities are slightly lower

Peggy's Gift Plan

Home
\$265,000

→ Cash - \$66,250

→ Costs - \$38,750

→ Annuity - \$160,000

Fort Vancouver National Trust
\$150,000

One ↓ Life

Annual payout of \$11,520 for one life. Tax free portion of \$7,880.

Peggy - Age 78
7.2% Annuity

Please run me a confidential illustration. Below is my information:

Home address: _____

Approximate value: \$ _____ Age(s) for gift annuity: _____

Owner's contact information (phone or email) _____

Mail, phone or email your information to Tom.

Photo: Tom Bashwiner and Peggy

Tom Bashwiner
Director of Gift Planning
 360-992-1815
 tom.bashwiner@fortvan.org



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 General O.O. Howard House
 750 Anderson St.
 Vancouver, WA 98661
 www.FortVan.org