THE CHICAGO COMMUNITY TRUST

EQUITY • OPPORTUNITY • PROSPERITY

KNOW YOUR OPTIONS

REAL ESTATE

UNLOCK TAX AND OTHER BENEFITS BY **GIVING REAL ESTATE TO CHARITY**

Making gifts of assets rather than income is a tax-efficient way for donors to meet charitable goals.

Real estate, such as a primary residence, vacation home or investment property, represents the majority of many Americans' net worth. In fact, the Federal Reserve estimates that more than 30% of U.S. household net worth is held in real estate. Rather than selling the property, many people donate the property to charity to eliminate or reduce capital gains taxes, receive a charitable deduction and fund their charitable goals.

KEY TAKEAWAYS

VACATION HOMES, INVESTMENT PROPERTY, AND A PRIMARY RESIDENCE may be used to make charitable gifts

ELIMINATE OR REDUCE CAPITAL GAINS TAX and receive income in some cases

QUALIFIED APPRAISALS are always needed

BENEFITS OF MAKING A GIFT OF **REAL ESTATE**

Gifts of real estate to The Chicago Community Trust can provide you with many potential benefits, such as:

- Eliminating or reducing capital gains taxes you would incur had you sold the property
- Being eligible for an income or estate tax deduction
- Unburdening yourself from collecting rents and other duties of managing the property
- Receiving a stream of income
- Converting property that is no longer used by or not of interest to your family
- Diversifying your portfolio
- Benefitting your favorite charitable causes now or in the future

As with other illiquid assets, we accept gifts of real estate on a case-by-case basis. Some of the factors we consider include the value and marketability of the property, the amount of debt, if any, and any environmental factors. After the property has been accepted, donors execute a deed or assignment. Our policy is to sell all gifts as soon as possible. We do not accept gifts of real estate outside of the United States.

SOLUTIONS FOR MEETING PERSONAL AND CHARITABLE GOALS

There are many ways donors make gifts of real estate to the Trust. By far, the most common are:

1. **Outright Gift of the Entire Property:** Works best for donors seeking the highest, immediate charitable deduction and providing charity with money now. Works best for vacation homes and investment property and sometimes the personal residence.

2. **Outright Gift of a Percentage of the Property:** A sub-set of an outright gift, this solution works best for donors who would like to keep some of the proceeds of the property while having charity receive the rest. Note that the charity must receive an undivided interest in all the property rights to qualify for a deduction and the deduction may be further reduced when the charity receives a minority interest in the property.

For those who seek an immediate charitable deduction yet need income for themselves or a family member, you might consider using investment property or an unused vacation home to create a **charitable remainder trust**. For those who seek an immediate income tax deduction yet wish to continue living in their home or farm or have the use of their vacation home, a **retained life estate** could be a good fit.

EXAMPLE

GIFT OF THE PRIMARY RESIDENCE

Joan has lived in her house for 30 years, has no children, and would like her home to go to a charitable cause. Her home is currently worth $600,000. **After speaking with her professional advisor, Joan learns about two of the best options available to her.**

SHE PREFERS TO LIVE ELSEWHERE. Joan donates her home to the Trust. She eliminates capital gains taxes and is eligible for an immediate income tax deduction. The Trust sells the home and the proceeds are used to establish a fund that will help children in underserved communities.

SHE PREFERS TO LIVE IN HER HOME. Joan deeds her home to the Trust and agrees to pay the taxes and other maintenance costs while living there. She eliminates capital gains taxes and is eligible for an immediate income tax deduction. She also removes the value of the home from her estate. Funds are available to help children in underserved communities after the Trust sells the home.

Your advisors are welcome to join you in a no-obligation conversation with us. Let the Trust assist you in crafting your philanthropic legacy.

Don Gottesman
Director of Gift Planning
312.616.6141
dgottesman@cct.org

THE CHICAGO COMMUNITY TRUST
33 SOUTH STATE STREET
SUITE 750
CHICAGO, ILLINOIS 60603
312-616-8000
cct.org