

REAL ESTATE GIFTS



For many donors, the most significant part of their net worth is real estate. As is the case with gifts of other long-term capital gains assets, real estate can be a very tax-efficient asset to use for charitable gifts. Because each property is unique, including it in charitable giving requires due diligence and proper structuring. The four most common options for real estate gifts are: 1) Outright gift; 2) Gift providing life income; 3) Retained life estate; & 4) Gift by request.

Outright Gift

Want to make a gift to the Arts Council of Moore County without touching your bank account? Consider giving real estate, such as a personal residence, vacation home, investment property, farm, commercial property, undeveloped land, or even real estate notes. Such a generous gift helps us continue our work for years to come. And a gift of real estate also helps you.

When you give the Arts Council appreciated property you have held longer than one year, you qualify for a federal income tax charitable deduction and you may minimize or eliminate capital gains tax. You no longer must deal with that property's maintenance costs, property taxes or insurance. To optimize these advantages, the property should not be encumbered by a mortgage or other debt.

This fair market value deduction lets you reduce the cost of making the gift and frees cash that otherwise would have been used to pay taxes.

Another benefit: With your gift of real estate, you don't have to hassle with selling real estate. You can transfer the deed to the property directly to the Arts Council or ask your attorney to add a few sentences in your will or trust agreement.

Ways to Give Real Estate

You can give real estate to The Arts Council in the following ways:

1. **Outright Gift** – Just like discussed above.
2. **Will or Living Trust** – Leave the real estate in your will or living trust by just naming the real estate to be transferred to the Arts Council. See our Bequest section.
3. **Establish a Charitable Gift Annuity** – Real estate may be transferred to the Arts Council and you will receive a life income agreement which you can't outlive. See our Charitable Gift Annuity section.
4. **Fund a Charitable Remainder Unitrust Agreement** – Real estate transferred to a charitable remainder trust agreement will allow you to increase your income, decrease your taxes, and support your charitable interests at the end of your trust. See our Charitable Remainder Trust section.
5. **Bargain Sale** – When you sell real estate to the Arts Council for less than the current fair market value, the transaction is called a Charitable Bargain Sale. See our Bargain Sale section.
6. **Retained Life Estate** – This strategy allows for a gift to the Arts Council in advance while you live in your home or farm before it becomes our property. See our Retained Life Estate section.

Donors who make real estate gifts must file an IRS Form 8283 with their tax return, must obtain a contemporaneous written acknowledgment from the nonprofit for the charitable contribution, and if the property is valued more than \$500,000, must attach a qualified appraisal to the tax return.



REAL ESTATE GIFTING

In general, the IRS requires a qualified appraisal for gifts of non-cash assets that exceed a value of \$5,000. To be considered a qualified appraisal, it must not be performed earlier than 60 days prior to the date of the transfer and must be obtained prior to the due date, including any extensions of the tax return on which the charitable deduction is claimed. If the property is valued more than \$500,000, the donor is required to attach the qualified appraisal to the tax return for the year of the gift along with Form 8283. A qualified appraisal is also used to determine the fair market value (FMV) of the gifted real estate. It is generally the responsibility of the donor to obtain a qualified appraisal.

If you are in the position to donate a piece of real estate to the Arts Council as a gift, here are some things to consider:

- The real estate must have a fair market value of at least \$100,000 and be deemed marketable within two years from date of gift.
- All gifts of real estate must be approved by the Arts Council Board of Trustees, which reviews factors such as value, ease of administration, marketability, debt, and UBIT consequences.
- After the gift is made, the Arts Council will work to sell the property as soon as possible. The Arts Council has discretion regarding when to sell the property and at what price.
- Donors are responsible for the Arts Council's costs associated with completing the gift transaction, including appraisals and legal and other ancillary fees.
- The Arts Council will provide gift substantiation, but the donor is responsible for qualified appraisal costs.

Contacts for additional information:

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NOTE: This information is taken from sources believed to be reliable but is not guaranteed as to completeness or accuracy. You are urged to seek the advice of your financial planner, attorney, and/or tax advisor to make certain a contemplated gift fits well into your overall circumstances and planning.