

Gifts of Real Estate

From farmland and timberland to vacation residences and rental properties, a gift of real estate can unlock the full value of your property and offer special economic advantages. If you own property not subject to a mortgage which has appreciated in value, a charitable gift to UF may be an attractive proposition. The following options are frequently used by UF alumni and friends:

- ▶ An outright gift of appreciated property offers maximum tax advantages because the charitable deduction is generally based on the full fair market value of the property. An appraisal is needed for valuation purposes.
- ▶ A gift of the remainder interest in your home or farm (called a “retained life estate”) can provide a current tax deduction, avoid capital gains taxes and allow you to continue to live in your home.
- ▶ A gift (or undivided interest) of appreciated property can be used to create a charitable remainder trust, which will provide you (and/or you and a second beneficiary) an annual income for life.

Why fund a charitable gift with real estate?

Unless you sell the property, your options for receiving current financial benefits from the real estate are usually limited to increasing your debt or renting the property to someone else.

Real property can also be a nuisance for estate planning, since it is rarely practical to transfer a single property to more than one heir. The result is a choice between leaving inequitable benefits for heirs or placing the burden — and costs — of selling the property onto your executor and estate. Property located in different states may be subject to additional probate and transfer costs.

Make an outright gift

You may deed your property to UF and gain an income tax deduction for the appraised value of the property. You may then designate how the proceeds are to be used by the University if you wish.

Opportunity

- ▶ Mr. Smith decides he no longer has a use for this family vacation home, and his children are not interested in inheriting the property.
- ▶ He talks to a university development officer about the idea of making the property an outright gift to UF with the proceeds from the sale of the property to be used to fund a scholarship in his name.
- ▶ The university agrees to the gift, and he obtains an appraisal of the property.

Result

- ▶ Mr. Smith claims an immediate tax deduction for the appraised value of the property and avoids any capital gains tax that he would otherwise have incurred had he sold the house himself.
- ▶ UF sells the house and uses the proceeds to establish a scholarship fund in Mr. Smith’s name as he indicated.

Give your property and continue to enjoy it

The retained life estate agreement is an opportunity to continue living in or using your home, vacation home or farm while also establishing a gift now — and to enjoy the benefits, including current tax savings that usually characterize only lifetime charitable gifts. While nothing changes in your current lifestyle or your use of the property, the retained life estate arrangement generates a sizable income tax deduction for you the year you establish the gift. At the end of the retained life estate term (usually your lifetime or joint lifetimes), the property goes to UF as the charitable recipient. The donor is responsible for all taxes, maintenance, etc., on the property during his or her lifetime.

Opportunity

- ▶ A married couple, ages 73 and 75, wishes to establish a retained life estate agreement for their home, which is valued at \$500,000.

Result

- ▶ They will receive an income tax charitable deduction this year of \$345,530.
- ▶ They will continue to enjoy their home for life, after which UF will receive the residence.

**The results in this example are based on a 1.2% CFMR and may vary due to time of gift and other factors.*

What if I depend on the property for income?

A retained life estate agreement will allow you to use the property productively or rent it to others during your lifetime. You can then enjoy the income tax savings immediately or save it for the future or for your heirs.

A gift that yields an income stream

It is possible to generate or replace income from real property (while avoiding or reducing capital gains taxes on the sale of the asset) through a charitable remainder trust. In this scenario, the donor must put the property into a trust before there is a signed purchase offer on the property by a third party.

Opportunity

- ▶ Mrs. Jones is newly retired and plans to downsize from her large home to a condominium. She does not wish to retain the property and would like income to supplement her retirement savings.
- ▶ Mrs. Jones has always wanted to make a meaningful charitable gift to UF and talks with a university development officer about charitable options regarding her property.
- ▶ She decides to gift the house by placing it in a charitable remainder trust with UF as the beneficiary.

Result

- ▶ Mrs. Jones claims a charitable income tax deduction for a portion of the home's value and avoids the capital gains tax she would have faced if she had sold the property herself.
- ▶ After the trustee sells the property, the resulting proceeds in the charitable remainder trust will yield a steady stream of income the rest of her life.
- ▶ Mrs. Jones' charitable wishes for UF are met, as the trust principal will ultimately benefit the university.

👉 Gift planning tip

Through a charitable lead trust, you can often pass real estate intact to heirs while reducing or eliminating transfer taxes and making a significant gift to UF. Please contact the Office of Gift Planning to find out how.

Let us help you plan

UF's Office of Gift Planning will confidentially answer your questions about giving and work closely with your legal, tax and other advisers to come up with an integrated plan that meets your goals. Please contact us anytime or visit our interactive website at <http://giftplanning.uff.ufl.edu>.

CONTACT

- ▶ Paul Caspersen, CFP®, MS
UF Office of Gift Planning
P.O. Box 14425
Gainesville, FL 32604-2425
866-317-4143
giftplanning@uff.ufl.edu

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