TAKE THE FEAR OUT OF REAL ESTATE GIFTS

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AGENDA

➤ Landscape
➤ Best/Worst Practices
➤ Taxation & Documentation
➤ Ways to Give
➤ Resources
➤ Bonus Case
MY FIRST REAL ESTATE GIFT
Gifts by Asset Type in 2012: $305 Billion

- Stocks/MF: 7.2%
- Real Estate: 1.4%
- Art/Collections: 0.4%
- Food: 0.1%
- Clothing: 3.0%
- Electronics: 0.1%
- Household: 1.2%
- Vehicles: 0.2%
- Other: 1.3%
- Cash: 84.0%

Percentage of Total Gifts by Dollar Amount (IRS data)
WHY SO FEW REAL ESTATE GIFTS?

- Charities don't ask
- Donors don't know
- Advisors don't discuss
WHY DON'T CHARITIES ASK?

➢ Fear of risks
➢ Lack of understanding
➢ Lack of staff
➢ Bad past experience
BEST PRACTICES:

- Acceptance Policies
- Acceptance Procedures
- Minimums
- Decision-makers
- Legal Expertise
- Memo of Understanding
- Site Visit
- Environmental Screens
- Communicate with Finance Dept.
RISKS

- Environmental
- Title
- Marketability
- Legal
- Carrying costs
  - Insurance
  - Maintenance
- Property Taxes
WHY DON’T ADVISORS DISCUSS?

➤ Lack of understanding
➤ Fear of perception
➤ "Not their job"

➤ U.S. Trust 2018 Study on Philanthropy
TAXATION & DOCUMENTATION
**TAX**

- Capital Gain Asset
- 15% - 23.8% tax to donor
- FMV Deduction
- 30% AGI limitation
- Stepped-up basis to heirs

- UBTI
- Depreciation
- Bargain sale
DOCUMENTATION

➢ "Qualified" Appraisal
➢ Forms 8283/8282
➢ Gift Receipt
➢ Pre-arrangement
➢ Partial interest rule
WAYS TO GIVE

3 ways + bonus
IRMA + HER GOALS

➤ Retire from property mgmt.
➤ Travel
➤ Time with grandchildren
➤ Support:
  ➤ church
  ➤ cat shelter
  ➤ food bank
IRMA’S TOOLS

- Two apartment buildings
- 4 Duplexes
- IRA
- Condo
IRMA’S TECHNIQUE

➤ 1 Apartment bldg -> DAF
➤ Sell all duplexes
➤ Deduction offsets sale
➤ Retirement!!!
PROCEDURES – IN ORDER

- Environmental Questionnaire
- Site Visit
- Memorandum of Gift
- Title Check
- Asset Transfer
- Sale

TO DO:
1. Wake up
2. Coffee
3. The rest…
LESSONS LEARNED

➢ Always hire a property manager.
➢ Get adequate insurance.
➢ Consider inspection.
➢ Be patient.

Never a failure, always a lesson
THE THREE SISTERS
SISTERS’ GOALS

➢ Divest of family farm.
➢ Retire from teaching.
➢ Support:
  ➢ church
  ➢ teacher scholarships
SISTERS' TOOLS

- Family farm
  - currently rented
- 403 (b)
- Savings bonds
- Life Insurance
TECHNIQUE

➢ Farm --> 3 FCRTs
➢ Income for retirement
➢ Remainder to:
  ➢ church
  ➢ teacher scholarships
➢ What about tenant farmer?
PROCEDURES IN ORDER

- Environmental Questionnaire
- Site/Donor Visit
- Title check
- Draft Trust Agreements
- Transfer farm to trusts
- Notify tenant
- Offer to sell
- Closing
BILL’S GOALS

➤ Live in home he built as long as possible.
➤ Host large family.
➤ Simplify estate.
➤ Support:
  ➤ Social Services Org
  ➤ School where he taught
BILL'S TOOLS

- Home he built
- 403 (b)
- Life Insurance
- Savings Account
- CDs
BILL'S TECHNIQUE

- Home -> DAF
  - *Life Estate Reserved*
- Income tax deduction
  - value of remainder interest
- Alternative: TODD?
PROCEDURES IN ORDER

➤ Environmental Questionnaire
➤ Title check
➤ Site/Donor Visit
➤ Draft Deed (w/LER)
➤ Draft LER Agreement
➤ Record Deed
➤ Take possession at death
BEWARE TRAVELERS BEARING GIFTS
INAPPROPRIATE GIFT

➤ Owners of LLC
➤ Board members
➤ Want to give rental property
  ➤ owned by LLC
➤ Want annuity in return
➤ No GA program
➤ No past RE gifts
RESOURCES
HELPING HANDS

- Community Foundations
- Gift-planning attorneys
- MPGC
- NACGP
- HOLT Consulting
- PGCalc
- Crescendo
- Charitable Solutions, LLC
- PlannedGiving.com
TECHNICAL RESOURCES

› IRS Publication 561
  › valuation of donated property

› IRS Publication 526
  › charitable deduction rules
WRAPPING UP

.......stay tuned for a bonus
BONUS CASE
CLT: UNICORN OF GIFTS

- Opposite of CRT
- Estate "freeze" technique
- Taxable trust
- Needs just the right asset
- Ultra high-net worth donors
CHARITABLE LEAD TRUST

- Donor w/very large estate
- Manhattan apt bldg -> CLT
- Gift tax assessed now
  - today's appraised value
- Charitable Deduction
- 20 year payments to charity
  - from rent
- In 20 yrs bldg transfers to family
  - estate/gift tax free
THANK YOU!
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