

Give a Residence or Other Real Estate

Give While Continuing to Enjoy Its Use

If you have considered making charitable gifts as part of your long-term financial and estate plans, you may want to consider ways a primary residence, vacation home or certain farm properties can be used to make a future gift to a charitable organization while enjoying a number of current and future financial benefits.

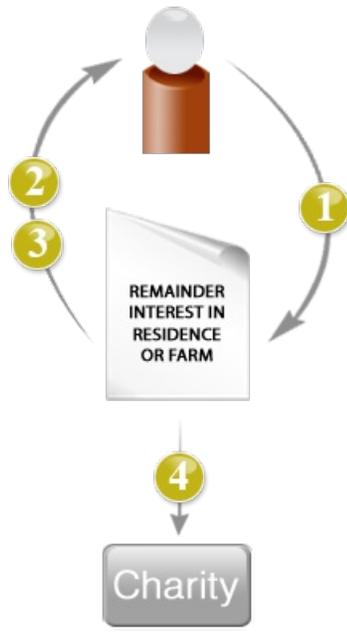
Through a gift of a remainder in real estate, you can make a gift of your home or other appropriate property now, while retaining the security of knowing you may live there for the remainder of your lifetime or other period of time you determine. You continue to enjoy the full rights and responsibilities of ownership.



Because you are making an eventual gift for charitable purposes you are entitled to an immediate charitable income tax deduction for the value of your gift. You continue to maintain the property, pay the taxes, and even receive any income it generates. Because you have provided for the future ownership of the property, however, it will not be subject to the possible expense and delay of probate. It will also not be part of your taxable estate, possibly resulting in what may be significant federal and/or state estate tax savings for your heirs.

Example

Marjorie, age 77, lives in a home purchased a number of years ago. Marjorie has decided to make a significant gift to Southern College of Optometry. The home is valued at \$500,000 and the depreciable value (the value of the home minus the value of the land) is \$300,000. The salvage value, which is what it is worth at the end of its useful life, which is generally about 25% of the value of the depreciable value, is estimated to be \$75,000. The useful life of the home is generally about 40 years. Here are the results for Marjorie.



1. Marjorie will transfer a remainder interest in the home, which is valued at \$500,000, to Southern College of Optometry.
2. Marjorie enjoys the right to continue to reside in the residence for life.
3. A charitable deduction of **\$-500,000** is allowed as a result of the future gift of the residence, which may be used in the current year and up to an additional five years.
4. The residence valued at \$500,000 (plus or minus any increase or decrease in value) passes to Southern College of Optometry at the term of the agreement.

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The assumed date of transfer for this example is August 5, 2020. This example has used the August 2020 IRC Section 7520 discount rate of 0.4% to optimize the charitable deduction.

NOTE: This calculation is provided for educational purposes only. The type of assets transferred, the actual date of the gift, and other factors may have a material effect on the amount or use of your deduction. You are advised to seek the advice of your tax advisors before implementing a gift of this type.

Planning Tips: Gifts of remainder interests in real estate can be especially attractive today during a period of relatively lower interest rates. Depending on the time periods involved, charitable income tax deductions can currently be enjoyed in amounts well over 50% of the value of the property donated. This can reduce federal income taxes for the year of the gift and up to five future tax years. Your advisor can help you determine if this gift is right for your circumstances.

Outright gifts and bequests of real estate are two other charitable gift options that can be excellent under appropriate circumstances. See [Q&As About Giving Real Estate](#) for more information.

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