DUKE forward

Donating Real Estate

Gifts of property offer significant tax savings

Many alumni and friends of Duke University own real estate that has appreciated significantly in value since it was purchased or inherited. While appreciation is a wonderful thing, it comes with tax costs—if the property is sold, capital gains taxes of up to 23.8 percent may apply to that appreciation. For this reason, some individuals decide to make a charitable gift of property to benefit something they care about at Duke.

BENEFITS

Duke accepts gifts of real estate including principal residences; investment properties such as apartment buildings, rental homes, office buildings, and warehouses; and farms or undeveloped land.

Benefits of donating real estate to Duke may include:

- Receive an income tax deduction for the full market value of the real estate.
- Avoid paying capital gains taxes on the appreciation built up in the property.
- Donate outright or establish a gift that pays you an income—or both.
- Support an area of Duke you feel most passionate about—scholarships, research, programs, etc.

To optimize these advantages, the donor should own the real estate for at least one year, and the property should not be encumbered by a mortgage or other debt.

CHARITABLE GIFT OPTIONS

OUTRIGHT GIFT

Generally, if you transfer real estate that you've owned longer than one year to a public charity such as Duke, your income tax deduction will be based on the fair market value of the property on the day that Duke receives it. In addition, because you transfer the property to Duke directly—without selling it first—you avoid taxes on the capital gains inherent in the real estate. This avoidance of capital gains taxes—combined with the income tax deduction you'd receive for your gift—essentially lowers the cost of your gift.

To learn more about how a gift of real estate could reduce your tax bill, please consult with your personal tax advisor.

GIFT OF $100,000 PARCEL OF REAL ESTATE (COST BASIS $40,000)	
Gift	$100,000
Less: Federal Income Tax Savings: Less: Federal Capital Gains Tax Savings:	($39,600) ($14,280)
Cost of this gift:	$46,120
Assumptions include: donor subject to highest federal marginal income tax and capital gains tax rates and will be able to recognize entire income tax deduction. Federal capital gains tax rates include 3.8% Medicare Surtax.	

PARTNERING FOR THE FUTURE

CHARITABLE REMAINDER UNITRUST

You can donate debt-free real estate to establish a charitable remainder unitrust (CRUT) and receive an income for your lifetime or a specified number of years. This will also generate a current income tax deduction for a portion of the property's value. You can be the initial trustee and control the timing and sale price.

Before the real estate is sold: The CRUT pays the beneficiaries the net income produced by the property, up to the trust's stated payout rate (e.g. 5 percent), each year.

After the real estate is sold: The CRUT pays a fixed percentage of its value (at least 5 percent) each year to the income beneficiaries. Because no capital gains taxes were due when the real estate was sold, the trust provides income based on the entire value of the property rather than just the net proceeds after taxes.

Income varies year to year based on the performance of the trust's investments. If the CRUT grows in value, then the income payments grow along with it, providing a hedge against inflation. Likewise, if CRUT investments perform poorly, payments decrease.

In most cases, Duke can serve as the trustee of a CRUT after the property is sold. The CRUT may be invested in a fund that mirrors the performance of the university's endowment or in other equity and fixed income funds. The only costs of this trusteeship are the expenses of trust administration and tax preparation services. When the trust term ends, the remaining CRUT assets go to the purpose(s) you have designated at Duke.

Please note that taxpayers who make a charitable gift of real estate (owned longer than one year) may use the resulting income tax deduction up to 30% of their adjusted gross income in the year of the gift and carry forward any unused deduction for up to five years if necessary. For gifts of cash, this limitation is generally 50% of AGI with the same five year carry forward period available.

Unleash your inner philanthropist.

Investing in Duke's future can yield invaluable returns to students, faculty, and the Duke community for generations to come. With the help of our expert team, your gift can also be part of your own charitable planning for the future.

CONTACT US TODAY.
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HOW WILL
YOU MOVE
DUKE FORWARD?