DONATING REAL ESTATE

Giving to Duke
GIFT PLANNING

Gifts of real property may offer significant tax savings

Many alumni and friends of Duke University own real estate that has appreciated significantly in value since they purchased or inherited it. While appreciation is a wonderful thing, it comes with tax costs—for example, if the property is sold, it may be subject to federal capital gains taxes of up to 23.8%. State and local taxes may also apply. If the property owner wants to support Duke while reducing this tax burden, a gift of appreciated real estate may be an attractive option.

Benefits

Duke may accept gifts of many types 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:

- Receiving an income tax deduction for the real estate's full market value (as determined by a qualified appraisal);
- Avoiding capital gains taxes on the property's appreciation in value;
- Donating outright and/or establishing a gift that pays you a lifetime income;
- Supporting the area(s) at Duke you care about most.

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.

What are my 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, by transferring the property directly to Duke rather than selling it first, you may avoid taxes on your capital gains in the real estate. This avoidance of capital gains taxes—plus the income tax deduction you receive for your gift—lowers the "out of pocket" cost of your gift.

GIFT OF $100,000 PARCEL OR REAL ESTATE (COST BASIS $40,000)

Gift	$100,000
Less: Federal Income Tax Savings:	($37,000)
Less: Federal Capital Gains Tax Savings:	($14,280)
Cost of this gift:	$48,720

**Assumes donor is 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.*

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

Charitable remainder unitrust

You can donate debt-free real estate to fund a charitable remainder unitrust (CRUT) and receive an income stream for your lifetime or a specific number of years (up to 20 years). This gift approach would generate a current income tax deduction for a portion of the property's value. You may serve as 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%), each year.
- **After the real estate is sold:** Beginning January 1 of the following year, the CRUT pays a fixed percentage of its value (e.g., 5%) 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 after-tax proceeds.

The CRUT assets are revalued every January 1. Income varies year to year based on the performance of the trust's investments. If the CRUT's growth in net value exceeds the trust's payout percentage, then the income payments grow along with it, providing a hedge against inflation. Conversely, if CRUT investments return less than the trust's payout rate, the CRUT payments will decrease that year.

In most cases, Duke can serve as the trustee of a CRUT after the real estate is sold. The CRUT may be invested in a fund that mirrors the university's endowment, or in other equity and fixed income funds. Duke does not charge a fee to serve as trustee, but the CRUT does pay the actual annual cost of trust administration and tax preparation services. When the trust term ends, the remaining CRUT assets go to support the purpose(s) you have designated at Duke.

Please note that taxpayers who make a charitable gift of appreciated real estate (owned longer than one year) may use the resulting income tax deduction up to 30% of their adjusted gross income (AGI) in the year of the gift and carry forward any unused deduction for up to five additional years. Gifts of cash are generally deductible up to 60% of AGI with the same five-year carry-forward period available.

Connect with us to get started

Duke University's Office of Gift Planning has charitable planning professionals available to work with you and your financial advisors to explore charitable giving strategies that support your financial goals now and in the future.

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