WILSON MEMORIAL HOSPITAL FOUNDATION

Real Estate Gifts

If you own property that is fully paid off and has appreciated, an outright gift may be the simplest solution. You can deduct the fair market value of your gift, avoid all capital gains taxes, and remove that asset from your taxable estate. You can transfer the deed of your home or farm to us now and keep the right to use the property for your lifetime and that of your spouse.

Original founders of successful businesses oftentimes hold assets that are greatly appreciated. In many instances, the basis can be practically zero.

If you have owned your home or other real estate for a long time, no doubt it has increased in value significantly. What happens if you sell the property?

First, the sale is subject to capital gains tax on the property's appreciation. If the property has been your main home for at least two of the past five years, you can exclude up to $250,000 of gain ($500,000 for married couples). However, this opportunity to avoid capital gains tax does not apply if the property is a vacation home, land or any real estate other than your primary residence. Moreover, there is the cost of marketing and selling real estate, which also takes time and effort, even if you use professional assistance.

Before you sell real estate, consider a new option. If you would like to help fulfill our mission, your property opens the door to a unique giving opportunity: donate the property to us. You can give the property outright, place it in trust, retain the use of it for life, or give it by will. All of these methods will enable you to enjoy personal financial benefits while supporting our work in a meaningful way.

Let us look at the various federal rules used to figure your tax savings, and apply them to certain kinds of gifts to show how you can benefit.

Tax Benefits of an Outright Gift

When you make an outright gift of real property held for more than a year, you obtain an income tax charitable deduction equal to the property's full fair market value. This deduction lets you reduce the cost of making the gift and frees cash that otherwise would have been used to pay taxes.

By donating the property to us, you also avoid capital gains tax on the property's appreciation. Furthermore, the transfer is not subject to the gift tax, and the gift reduces your taxable estate.

Give Your Home But Enjoy Life Use

Let's assume you like the tax advantages a charitable gift of real estate would offer, but you want to continue living in your personal residence for your lifetime. You would like to retain the right to rent your house or make improvements. You may also want a survivor (perhaps your spouse) to enjoy life occupancy. However, ultimately, you would like for a charitable organization to receive the property.

By deeding your home to us now, subject to all these rights, you can still obtain valuable tax savings. This arrangement is called a retained life estate. Even though the non-profit would not actually take possession of the residence until after the lifetimes of the tenants you have named, you receive an immediate income tax charitable deduction because the gift cannot be revoked. The amount of the deduction depends on the value of the property and your age (and the age of any other person given life use).

Setting up a retained life estate through us is possible if you want someone other than a spouse to have use of the property after your lifetime. Leaving a home to a spouse through a will or some form of joint ownership generally does not result in a federal estate tax under current laws. However, if you want one of your children or a relative or friend to live in the home after your lifetime, you may find that estate taxes will have to be paid to leave the property to that person.

With this kind of gift, you retain the rights and responsibilities of ownership—other than disposing of the property after your death. That is, you may continue to live as you have with no interference from the WMH Foundation. You may even decide to move out temporarily or permanently. Should you rent the home, all of the rent belongs to you. You can make a retained life estate arrangement with any personal residence, including a farm, vacation home, condominium or stock in a cooperative housing corporation (if it's used by you). A farm may include acreage with or without a house.

Obtain a Life Income From Your Gift

Instead of making an outright gift of real property or establishing a retained life estate, you can use unmortgaged property to fund a qualified charitable remainder trust. Once the property has been transferred to the trust, the trustee can then sell it and invest the proceeds in income-producing securities, which become the source for lifetime income payments to you and any other recipient you name. When the trust terminates, the Hospital receives the remainder.

If you itemize, you will benefit from a substantial current income tax deduction. The amount of the deduction is determined by your age when the trust is created, the value of the trust assets, and the annual percentage or amount to be paid to you. In addition, when you transfer appreciated property, you will not pay any tax on the capital gain.

Tax Savings for Partial Use

Say you have a home you do not occupy year-round. You can make a deductible gift to Wilson Memorial of an undivided interest, allowing us exclusive use of the property for part of each year.

A vacation home can be ideal for this purpose. For example, you could give us a half interest. You would continue to use the property for six months of each year while we, as half owner, would use it for the remaining six months. You receive an income tax deduction for the fractional interest contributed to us, based upon its market value. That interest will also escape estate taxes.

You can also give the Wilson Memorial Hospital Foundation a remainder interest in the part of the property you retain. Then you receive an additional income tax deduction, based on your age and other factors.

Giving Real Estate Through Your Will

If making an irrevocable gift of the property through one of the options we have discussed is not to your liking, consider giving it to us in your will. Because your will is revocable (that is, you can change your mind at any time during your life), you will not be able to take an income tax deduction, but the property will not be taxed in your estate.

If you wish, you can give another person life use before unrestricted ownership passes to us. On the other hand, you can bequeath full title to an individual if that person survives you, with our organization as the contingent recipient. When an individual is given life use, it is best to make it clear that he or she is responsible for maintenance, insurance, repairs, and improvements.

If you do not need to make a new will now for any other reason, ask your attorney to draw a brief codicil for this purpose.

Suitable Property to Donate

Agricultural land tends to return a low percentage of its market value. This is especially true of absentee-owned land, where tenant shares and farm manager's fees often reduce the owner's profit. In addition, the profitability varies, depending on the weather and commodity markets, making this type of land suitable for a charitable gift in exchange for a life income arrangement.

Real property, such as vacant land, has a cost of ownership (property taxes and insurance, for example) with no offsetting return. In addition, a vacation home that is no longer used enough to justify the investment, costs and responsibilities may be suitable as a gift.

In addition, not all property automatically rises in value. An older commercial building in a declining neighborhood may be worth as much to the donor currently, in terms of the charitable income tax deduction from an outright gift, as it is likely to be worth in the future estate. Alternatively, it may be used to fund a charitable remainder trust paying an income for life. In addition, developed investment or commercial property may provide significant capital gains tax savings when used to make a gift and avoid potential depreciation recapture as well.

A Summary of the Benefits

A charitable gift of real estate is advantageous for many reasons.

- Either an outright gift or a remainder interest results in valuable income and estate tax deductions, and tax on the capital gain can be avoided.
- A gift in your will assures that the value of the property will qualify for a charitable deduction for estate tax purposes.
- Giving us outright use of the property now will free you from the responsibilities and costs of looking after it.

For more information please contact Bonnie Faulkner, Executive Director Wilson Memorial Hospital Foundation at **bfaulkner@wilsonhospital.com** or (937) 498-5575.

This information is not intended as financial or legal advice. For financial or legal advice, please consult your financial advisor or attorney.

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