The Really Smart Gift of Real Estate

A case study in tax-smart giving

Suppose Roy and Barbara invested in real estate 25 years ago by purchasing property for $5,000. Since then, the real estate has grown to have a fair market value of $250,000.

A buyer has approached them to buy the real estate. But instead of selling the real estate to the buyer, paying the taxes and giving away the net proceeds to charity, Roy and Barbara decide to give the real estate directly to The Idlewild Foundation. (They wisely make this gift before signing any letter of intent, binding contract or other formal agreement with the buyer.)

Assuming Roy and Barbara are in a 35 percent federal tax bracket and a 6 percent state tax bracket, here's the impact of their decision:

- No capital gains tax: Roy and Barbara avoid capital gains tax and save $51,450 (21 percent of $245,000) in federal and state income taxes.
- Charitable income tax deduction: Roy and Barbara get a charitable income tax deduction (subject to the 30 percent limit of adjusted gross income) of $250,000, the fair market value of the real estate. Their cash flow increases by $102,500, the amount of their federal and state income tax savings, and they can carry over any unused portion of their $250,000 deduction for the next five years.
- Maximized gift: Roy and Barbara are able to give $250,000 to The Idlewild Foundation instead of the $198,550 they would have had if they had sold the real estate and donated the net proceeds. They'll avoid the tax bill of $51,450 and instead give this amount to The Idlewild Foundation!
- Lower out-of-pocket costs: Roy and Barbara's out-of-pocket cost of the $250,000 gift is $147,500 – far less than the $168,595 they would have paid if they had sold the real estate and then given away the net proceeds.

So how can we serve you? The Idlewild Foundation would be honored to explore how we can help you give in new, creative, and tax-smart ways. Please call us at (813) 264-8783 today to learn more.

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