

Real Estate: A Form of Charitable Giving

In unpredictable economic times, many donors may be wary of making large donations of cash, even to charities they would otherwise like to support. Nonprofits are therefore increasingly encouraging donors to make gifts of non-liquid assets, including real estate. When thoroughly screened and properly structured, real estate gifts can help donors meet their financial planning and philanthropic goals, while providing charities with a fresh source of funding.

Although real estate holdings make up a significant share of the assets for U.S. households, only a small proportion of charitable contributions take the form of land or buildings. Many people who own surplus real estate may prefer to donate their appreciated property to charity rather than sell the property themselves, especially if their goal is to minimize taxes or generate retirement income. Because real estate gifts are more complex and costly for charities to process and manage than cash donations, it is important to consider donating to charitable organizations with a clear set of gift acceptance policies and procedures in place.

Prospective donors should look for policy guidelines that outline the types of properties that will and will not be accepted, such as residential, commercial, or undeveloped land. The types of estate planning structures that donors may use when making these gifts should also be stated, such as charitable remainder trusts, charitable gift annuities, and retained life estates. In addition, find out if there are stipulations on the charity's acceptance of properties that come with mortgages or other risk factors.

How It Works

After a real estate gift has been approved on a preliminary basis by a charity, the donor may then be asked to provide more complete information about the property. This due diligence phase generally includes an investigation of the title with the help of a real estate attorney, assessments of the local market and environmental conditions, a professional inspection, and a site visit by the organization's representative. Typically, the charitable organization covers the costs of conducting these studies. After the due diligence has been completed and the charity has agreed to accept the gift, the donor would be notified of the findings of the investigations, and of plans for how the final transfer of the property will occur.

When considering charitable gifts of real estate, there are multiple advantages for donors, including generating income, deferring or lowering taxes, and eliminating ongoing expenses of property maintenance. Be sure to consult your tax professional for more information about real estate contributions to charities.

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