

Planned Giving Bulletin

Gifts of Real Estate

Real estate is not often thought of as the perfect charitable gift, yet a gift of real estate can enable a donor to make a bigger charitable difference than they thought possible. If given as a bequest it can reduce estate taxes and minimize or eliminate a burden placed on heirs. With the help of Lutheran Foundation Canada, you can use this asset to fulfil your charitable interests and receive tax benefits as a result.

Charitable gifts of real estate range from personal residences and vacation homes to rental properties, farmland, and commercially developed land.

A donor may also choose to give the gift immediately if they realize they no longer require a property, or they may consider retaining the use of the property during their lifetime and leave the property to their chosen charity in the form of a gift of residual interest.

Why choose to establish a gift of real estate

- You have considerable real estate holdings but modest liquid asset holdings
- You do not need the property or the proceeds from its sale
- You receive an immediate donation receipt for the fair market value of the donated real estate
- 50% of any capital gain on the property is taxable, but the tax credit arising from the gift will exceed the tax on the capital gain, resulting in tax savings
- There is no taxable capital gain if the donor donates his or her principal residence.
- Capital gains up to \$1,000,000 may be exempt from tax when qualified farm property is donated
- After making an outright gift of real estate, you no longer have to pay property taxes, maintenance, or property management fees, insurance or other ongoing costs

Gift Examples

- Principal residence
- Cottage or vacation property

Gifts of Real Estate ...continued

- Investment property
- Farmland
- Vacant land
- Environmentally Sensitive Land

Gift Scenario

Fred and Dorothy Kind rarely use the cottage they purchased thirty years ago for \$60,000. They had considered selling it but decided instead to contribute it to a charity with which they have long been supporters. An appraisal of the property determines its current fair market value to be \$300,000. Their net income from other sources is \$150,000 per year, and both their combined tax rate and their combined tax credit are assumed to be 45%.

Tax on Gain

Capital gain recognized (\$300,000 – \$60,000)	240,000
Taxable gain (50% of \$240,000)	120,000
Tax on gain	54,000

Tax Credit

Donation receipt	300,000
Tax credit	135,000

Net Tax Savings

Tax credit	135,000
Tax on gain	– 54,000
Net tax savings	81,000