Using your real estate income to fund charity

Income from your real estate holdings can generate more dollars for charitable impact

Many generous people with income-producing real estate have a heart to give charitably but feel hindered by their limited cash flow, non-cash assets, and growing taxation. Our team at the National Christian Foundation (NCF) has a solution which allows you to give real estate (commercial real estate, rental income property, etc.) to us while continuing to manage the property. This strategy may capture income tax savings for increased charitable cash flow, allowing you to give more.

THE BENEFITS OF GIVING REAL ESTATE

- Unlock more dollars for charity now, without waiting for a liquidation event.
- Maximize available income tax deductions using non-cash assets (up to 30% of AGI).
- Potentially reduce or avoid taxes on annual income from the gifted portion, providing increased cash flow for charitable granting.
- Potentially avoid or reduce capital gains on the gifted portion if and when the property is sold.
- Potentially reduce estate taxes, since a portion of the property is owned by NCF (not your estate).
- Create innovative asset transfer opportunities (2nd generation, 3rd party, key employee, etc.).

THE RESULTS OF GIVING REAL ESTATE INCOME

This table shows the impact of giving a 50% interest in a $1.5M rental property, which produces $100,000/year in rental income, assuming the giver generally reports $500,000 in income.

	Annual	5-Year Total
Tax savings from the non-cash deduction	$63,000*	$315,000
Charity tax savings on future income	$22,900*	$114,500
Ongoing charitable cash flow	$50,000	$250,000
Reduction in capital gains tax if/when sold	50%	

* Tax savings could be used to fund additional giving, additional investing, or some of both.

Learn more or get started today

Visit us at ncfgiving.com/houston or call us at 832.255.2026

QUESTIONS FOR DISCUSSION AND CUSTOM ILLUSTRATION

How long have you owned the real estate?

What do you estimate to be your adjusted cost basis?

What do you estimate to be the adjusted tax basis?

What has been the historical use of the property?

Is there any debt associated with the property? If so, how old?

Does the property produce consistent net income profit? If so, how much?

Has an environmental report been completed in the past (if non-residential property)?

Would the property be considered inventory? In other words, are you a dealer in property?

Do you pay Net Investment Income Tax (NIIT) also known as the Medicare surcharge?

A CLOSER LOOK AT THE TABLE ON PAGE 1

The table below is a duplicate of the one on the first page of this document, along with various assumptions and explanations of the gift of real estate to provide more context.

	Annual	5-year total
Tax savings from the non-cash deduction • You receive a charitable deduction for the fair market value of the gifted interest (50% of $1.5M or $750k). • Assumes annual AGI is $500k (non-cash deductions capped at 30% of AGI or $150k/yr, so $750k deduction spread over 5 years). • Personal taxes reduced by $63,000 annually (37% federal + 5% state = 42% x $150k annual 30% AGI capped charitable deduction = $63,000/yr for 5 years).	$63,000*	$315,000
Tax savings captured for future granting • In this scenario, 50% of the annual rental income ($50k) is allocated to NCF and is no longer taxable to you. • This could save $22,900 per year in taxes and increase charitable granting on that income (37% federal + 5% state + 3.8% NIIT = 45.8% x $50k = $22,900).	$22,900*	$114,500
Ongoing charitable cash flow • 50% of the annual rental income ($50k) would be allocated to your Giving Fund tax-free each year for as long as the property remains debt-free. • This "charitable cash flow" goes into your Giving Fund for more granting. • As the advisor for the Giving Fund, you retain the right to recommend grants to your favorite charities and charities.	$50,000	$250,000
Reduction in capital gains tax if/when sold • Since NCF owns 50% of the asset as a charitable beneficiary, if and when the property is sold, NCF would not have to pay capital gains tax on its portion, freeing up even more money for charity.	50%	

The table shown is for illustration purposes only and include assumptions on tax rates, business types, and structure which may or may not apply to you, so there is no assurance that the savings depicted can or will be achieved. Consult with your attorney, financial advisor, and/or tax advisor to analyze your particular situation before proceeding.

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