

Charitable Real Estate Solutions

Strategies to Help You Maximize Property Value and Save Taxes—
While Helping HSU Students, Faculty and Programs

What is a Charitable Real Estate Solution?

A charitable real estate solution occurs whenever you have decisions to make about a real estate asset and you partner with Humboldt State University to identify the most tax-wise, value-added strategy to meet your financial goals, your family's needs, and your charitable intentions for HSU.

Whether your real estate is the family residence or vacation home, a rental property, a parcel of land, or a business asset, HSU's planned giving staff can show you how to create more financial value for yourself and your loved ones while contributing to HSU's teaching, research, and public service mission.



Marine Lab Director Brian Tissot with students
at Old Home Beach, near Trinidad, CA



The Benefits of a Charitable Real Estate Solution

Real estate can enable you to make a meaningful contribution that provides more benefits to you than other forms of giving. For example, you can:

- ▶ **Reduce your income tax and potential estate tax burden** as well as eliminate property management and maintenance costs.
- ▶ **Avoid capital gains taxes**, which can be significant with rental and business-related real estate.
- ▶ **Transform a non-productive, illiquid parcel or property** into a tradable stock and bond portfolio.
- ▶ **Generate an income stream** for yourself and/or loved ones, now or in the future.
- ▶ Use the value of your property to **create an additional retirement fund for you or a college education account** for a child or grandchild.
- ▶ **Alleviate the stress** associated with holding and managing property.
- ▶ **Make a more substantial gift** to benefit HSU students, faculty and programs than you thought possible.

When a Charitable Real Estate Solution Should be Considered

There are many reasons why people consider selling a property or converting its value to generate more financial benefit for themselves and/or others.

When you consider giving to Humboldt State University, think about the real estate you own as a resource for your giving.

Charitable real estate solutions work best in these types of situations:

- ▶ You have rental property that you are tired of managing or that just isn't generating the income you want.
- ▶ You have a great vacation home or condominium that you rarely visit or that is costing you too much to keep.
- ▶ You have a parcel of land that you intended to develop but never did. Not only are you paying real estate taxes and carrying a liability on land you aren't using, but you could really use more income to supplement retirement needs or launch a new business.
- ▶ You own a commercial property that you are ready to sell, but between the appreciation of the property's value and the depreciation you've taken over the years, you're concerned that a large capital gains tax bill will reduce the sales proceeds available for reinvestment.
- ▶ You are retired but still paying substantial income taxes each year. Your home that you paid off years ago is one of your largest assets, and you wonder if there is a way to get tax relief through your home while you continue living there.
- ▶ You have a personal connection to Humboldt State University or see the social and economic value of HSU's leading-edge programs. You want to 'pass it forward.' You want to enable your success to inspire the success of the next generation—but you also need to secure your own and your family's financial future.

TOP IMAGES LEFT TO RIGHT: Collaborative mural painting on the Art Quad, Forestry students plant seedlings at the Schatz Tree Farm, Oceanography students on the Research Vessel Coral Sea, Child Development Professor Kishan Lara-Cooper, HSU Jacks Football

The Charitable Real Estate Trust



LEFT: Students get hands-on training on a microplate scanner RIGHT: Debbie Woollett, dog handler, hunts for evidence of the white-footed vole

STEP 1: Establish a charitable trust: You transfer real estate into a specific type of charitable trust (called a charitable remainder unitrust with special real estate provisions). The trust sells the property and reinvests the proceeds, then pays out an annual income to you or others that you name.

STEP 2: Set your rate of income: The rate of income from the trust will be at least 5% of the market value of the trust as determined annually, though higher payout rates may be chosen based on your financial objectives. Thus the income will be variable, with the ability to grow over time as the value of the assets increases. Typically, little or no income is paid until the real estate placed in the trust is sold.

STEP 3: Pick a trustee: You select the trustee for your trust. A trustee sells the real estate, manages the trust assets, makes income payments, and assures proper financial reporting to you, your beneficiaries, and others (such as required annual reporting to the IRS). You can work with a bank or financial trustee, a charitable trustee such as the HSU Advancement Foundation, a friend or professional advisor, or yourself (with appropriate advisors to assure that you are able to properly administer the trust).

STEP 4: Bypass capital gains taxes: If the property placed in the trust is subject to capital gains taxation, you can avoid immediate payment of taxes on the sale of the property through the trust, allowing the full

proceeds to be reinvested for long-term growth and current income. A portion of your income payments is then taxed at the appropriate capital gains rate (which is typically lower than one's income tax rate). This approach may provide even greater income for you.

STEP 5: Reduce your income taxes: You can take a charitable income tax deduction based on a portion of the value of the property, reducing your income tax bill for this year (and possibly for several more).

STEP 6: Enjoy the added income: Income from the trust can be used to supplement your retirement needs, support other loved ones, fund a college education, launch a new business—whatever you determine.

STEP 7: Celebrate your future gift to HSU: When the trust ends, the remaining assets are a charitable contribution to support HSU students, academic programs, community outreach initiatives, or other purpose that you identify. Your future gift may even establish a permanently named endowment fund to honor your family. If so, the assets from your trust would be invested for long-term growth and only the income used each year to support HSU's mission—enabling your generosity to endure for generations.

Remember, HSU's planned giving staff can offer expertise (without cost) throughout the charitable trust creation and management process.

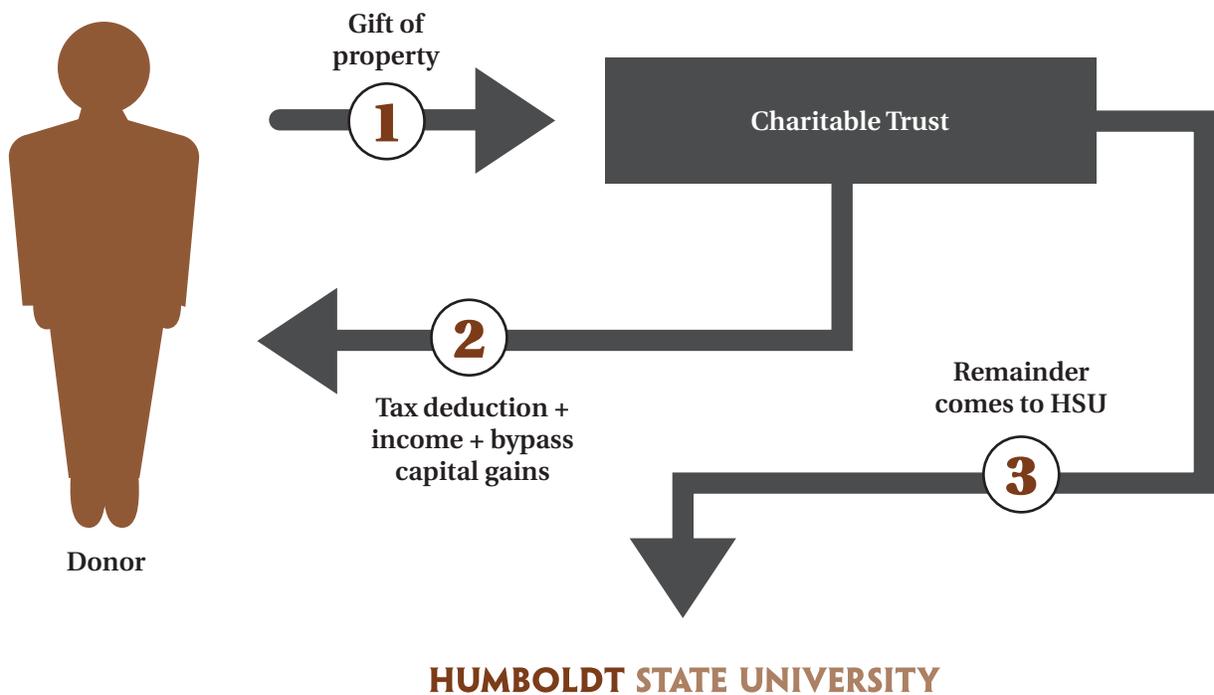
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visit us online:
humboldt.edu/giftplanning

Tax-wise planning to meet your financial, estate and charitable goals.

HUMBOLDT STATE UNIVERSITY

The Charitable Real Estate Trust



How it works:

- ▶ You transfer real estate (and often other appreciated property or securities) into a trust.
- ▶ The trust pays a percentage of the value of its principal, valued annually, to you or beneficiaries you name.
- ▶ When the trust terminates, the remainder passes to the Humboldt State University Advancement Foundation to be used as you have directed at HSU.

Benefits:

- ▶ Receive income for life or a term of years in return for your gift.
- ▶ Receive an immediate income tax deduction for a portion of your contribution.
- ▶ Pay no upfront capital gains tax on appreciated assets you donate.
- ▶ You can make additional gifts to the trust as your circumstances allow for greater income and tax benefits.

Contact us for information and professional counsel, without cost, in exploring a full range of charitable real estate solutions:

Office of Philanthropy, Humboldt State University, 1 Harpst Street, Arcata, CA 95521
(707) 826-5101 • giving@humboldt.edu

visit us online:
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Tax-wise planning to meet your financial, estate and charitable goals.

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Charitable Real Estate Solutions Available to You

At Humboldt State University, we encourage our students to be creative problem solvers. Likewise, depending upon your financial goals and your philanthropic intentions, there is usually more than one solution to a real estate challenge. Some options include:

- ▶ **Simplest—Give the Property and Enjoy the Tax Savings:** Donate a property directly to HSU now or through a will or living trust. If the property is subject to capital gains taxation, you can avoid those taxes, and you may be able to reduce your estate tax burden. When giving real estate during your lifetime, as long as you have owned the property a year or longer, you will generally be able to take a charitable income tax deduction for the full appraised value. It is even possible to use your charitable deduction over an additional 5 years, further reducing your income tax bill, depending on your particular financial situation.
- ▶ **Share the Sale and Turn the Taxes into a Gift:** If you are planning to sell appreciated property, especially a rental or commercial building, you can deed a percentage ownership interest in the property to HSU first and then we'll sell the property with you. By giving a fractional interest in your property to HSU before you sell, you can receive a charitable income tax deduction that may offset some or all of the capital gains taxes that would otherwise be due upon sale. Rather than have the sales proceeds reduced by taxes, you are essentially transferring some or all of the tax burden—in the form of a charitable gift—to benefit HSU students and programs.
- ▶ **Give Some Now and Sell It All Later:** A variation on the above solution is to give a percentage ownership interest in a property, whether a business asset or a personal-use property such as a vacation home, to HSU now. You can receive a charitable

income tax deduction that saves you taxes this year, but continue using the property and defer the sale until the future, including as part of your estate settlement. Typically HSU's ownership stake in the

A charitable trust is one strategy for converting real estate holdings into a portfolio of marketable securities, a lifetime income, and a future gift for HSU students, faculty and programs.

property is small, allowing you to retain control while creating a future cash gift to HSU when the property sells.

- ▶ **Give the Home or Farm Without A Move:** Sometimes people plan to give their home, farm, or vacation getaway to charity as part of their estate plans. Unfortunately, such a planned gift doesn't offer many financial benefits during life. It is possible, however, to give your home now, lower your income taxes this year (and possibly over several years) while continuing to live in and fully enjoy your property. By making your real estate gift during life, you can enjoy the good feelings that come with making a meaningful contribution to HSU while securing real tax relief.
- ▶ **Convert a Property into an Income—Try a Trust:** While the word 'trust' can make a simple solution sound complex, in fact charitable trusts are a common strategy. Sometimes referred to as a 'charitable real estate trust' or a 'capital gains bypass trust', a Charitable Remainder Unitrust provides a range of income, capital gains, and estate tax savings as well as income benefits and a charitable gift component. **See pages 3 and 4 for more details.**



Discuss Solutions *Before* Finalizing Your Plans

While charitable real estate solutions are generally easy to implement, they must be executed according to IRS and other regulatory guidelines, otherwise, the tax and financial benefits you seek may be reduced or voided.

Be sure to:

- ▶ Contact Humboldt State University's planned giving staff *before* you enter into any agreement to sell your property. If a sale is already in progress, it is usually too late to achieve charitable tax savings.
- ▶ Work with professional advisors to make sure that any real estate or charitable gift transaction is appropriate for your personal, financial, tax, and estate situation—addressing not only your immediate priorities but also your family's long-term goals. While HSU's planned giving staff has specialized knowledge to help you and your advisors achieve the best results possible, our staff are not attorneys or accountants nor can we fully represent your larger legal and financial interests.
- ▶ Understand that we may not be able to accept all types of real estate—though we are happy to work with you and your advisors to explore a range of alternative strategies.
- ▶ Discuss your plans with your family—shared decisions avoid future challenges.

Partner with HSU to Make the Most of Your Real Estate

It is said that no one succeeds alone. When it comes to graduating the next generation of motivated leaders, creators, and innovators, HSU's success is built on many partnerships. *Charitable partnerships, in particular, play an increasingly larger role in making a Humboldt State University education a reality for students from throughout the state and around the world. Together we can create 'win-win' solutions for you and HSU.*

IMAGES LEFT: The HSU Rowing Team practices on Humboldt Bay
MIDDLE: Donor Ann Wood with a recipient of the Frank B. Wood Scholarship
RIGHT: Students work on the *Toyon Literary Magazine*

For more information, and for professional counsel, without cost, in exploring the range of charitable real estate solutions available, contact:

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