

Residential Real Estate Donation

Donating **rental residential real estate** to a qualified charitable organization can offer significant benefits. However, it's essential to understand the full scope — both the advantages and the potential complexities. Here's a breakdown of the main **benefits**:

Income Tax Deduction

- **Fair Market Value (FMV) Deduction:** If the property is considered long-term (held for more than a year), you may deduct the FMV of the property on your federal income tax return (subject to AGI limits).
- **AGI Limits:** Typically, you can deduct up to **30% of your adjusted gross income (AGI)** for gifts of appreciated property to public charities. Excess deductions can usually be carried forward for up to **five years**.

Avoidance of Capital Gains Tax

- If you sold the rental property, you'd owe **capital gains tax** on the appreciation. Donating it avoids this tax entirely.
- This is particularly valuable if the property has significantly appreciated over time.

Elimination of Management Burdens

- Rental property comes with tenant issues, maintenance, property taxes, and insurance.
- Donating the property allows you to offload these responsibilities permanently.
- Many people avoid paying the capital gains tax currently by completing a 1031 exchange continuing the management of real estate properties

Estate Planning Advantages

- Charitable gifts reduce the value of your taxable estate, potentially lowering **estate tax liability**.
- Helpful for simplifying your estate and transferring wealth in a tax-efficient way.

Support a Cause You Care About

- Beyond tax and financial benefits, you're making a meaningful impact by supporting a nonprofit mission (education, housing, health, etc.).

Possible Use of Charitable Remainder Trust (CRT)

- If you want to receive **income for life**, you can contribute the property to a CRT:
 - The trust sells the property (tax-free), invests the proceeds, and pays you income.
 - The remainder goes to charity.
 - This approach combines tax deferral, lifetime income, and charitable giving.

Important Considerations

- **Qualified Appraisal Required:** You'll need a certified appraisal (Form 8283) to claim a deduction above \$5,000.
- **Mortgage-Encumbered Property:** Deductions may be disallowed or limited if the property has debt.
- **Use by Charity:** If the charity uses the property in its mission (e.g., housing for the homeless), the deduction may be more straightforward.
- Vet the **charity's ability to accept and manage real estate**.
- Consider setting up a **donor-advised fund** or **CRT** for more flexibility.