

Real Estate

Are you aware that it may be possible for you to donate your home, second home, vacation property, commercial building, undeveloped land, farm, or other real estate to Bentley? Not only can a gift of real estate help you achieve your charitable and financial goals but it may allow you to make a larger gift to Bentley than you may have thought possible.

A gift of real estate could be right for you if you have any of these goals:

- You own real estate for which you no longer want to be responsible.
- You own real estate that you are willing to donate if you get income in return.
- You are willing to donate your home if you can continue to live in it.
- You own real estate that you are willing to sell to us for a bargain price.
- You want to save income, capital gains, and/or estate taxes.

How it works

You can make a real estate gift to Bentley in a variety of ways:

- Give your real estate now.
- Give your real estate now and receive payments for life.
- Sell your real estate to us for less than its appraised value and receive a lump sum.
- Give a portion of your real estate and keep the rest.
- Give your home now, but continue to live in it as long as you wish.
- Give your real estate at your passing.

Below are brief descriptions of various ways to make gifts of real estate. We would be happy to talk with you in-depth about which technique may be best for your particular situation and goals – just contact us.

Maximize your gift: Transfer your real estate to Bentley outright

This is the simplest way for you to give Bentley a piece of real estate. By giving us all rights to your real estate, you would maximize your tax benefits and your support of Bentley. We would sell the real estate and use the proceeds to support an area of the university that is meaningful to you.

Income tax savings: You would receive an immediate income tax charitable deduction equal to the full appraised value of your real estate, resulting in tax savings if you itemize your deductions.

Capital gains tax savings: Making an outright charitable gift of real estate eliminates any capital gains tax

that would otherwise have been due had you sold the property.

Estate tax savings: A gift of real estate removes that asset from your estate. Therefore, if estate tax applies to your situation, you would not be subject to estate tax on that asset.

Give your real estate now and create income for life

You can put your real estate into a special type of **charitable remainder unitrust** now, and as soon as your real estate has been sold, you will start to receive payments. These payments can continue to you and/or others you care about for a certain number of years, for the rest of your or their life, or for a combination of lifetime and years. Payments equal to 5% of the trust's annual value are typical. At the end of the trust term, whatever principal remains passes to Bentley to be used for a purpose that you and Bentley have agreed upon.

Income tax savings: You would receive a substantial income tax charitable deduction in the year of your gift, resulting in tax savings if you itemize your deductions.

Capital gains tax savings: There will be no immediate capital gains tax on the sale of your real estate.

Estate tax savings: A gift of real estate removes that asset from your estate. Therefore, if estate tax applies to your situation, you would not be subject to estate tax on that asset.

Give your home or vacation property to Bentley, but continue to live in or use it as long as you wish

When you give your home to Bentley in a **retained life estate** gift arrangement, you can continue to live in or use your home for as long as you wish. This could be for the rest of your life, or for the lives of you and your spouse. You also can make a retained life estate gift using a second home, farm, or any structure you use as a personal residence. After you have used the property, Bentley would likely sell it and use the proceeds for an agreed-upon purpose.

Income tax savings: You would receive an immediate income tax charitable deduction for a portion of the value of your home, resulting in tax savings if you itemize your deductions.

Capital gains tax savings: Making this type of real estate gift eliminates any capital gains tax that would otherwise have been due had you sold the property.

Estate tax savings: A gift of real estate removes that asset from your estate. Therefore, if estate tax applies to your situation, you would not be subject to estate tax on that asset.

Combine a gift with the sale of your property

An arrangement called a "**bargain sale**" would allow you to transfer your property to Bentley in part as a charitable gift and in part as a sale with several benefits. You would receive an immediate cash payment equal to the sale price in addition to the tax benefits described below. Bentley would then sell your real estate and use the proceeds to recoup what it paid you. The difference between the amount Bentley paid you and the price that Bentley sold the real estate for would be used to support an area of Bentley of interest to you.

Income tax savings: You would receive an immediate income tax charitable deduction for the difference between your sale price and the appraised value of your property, resulting in tax savings if you itemize your deductions.

Capital gains tax savings: You would avoid tax on some of your capital gain in the property.

Estate tax savings: A gift of real estate removes that asset from your estate. Therefore, if estate tax applies to your situation, you would not be subject to estate tax on that asset.

Give Bentley a portion of your real estate holding

Rather than give us all of your real estate holding, you can give us a portion of it, also known as an “undivided interest.” For example, if you own 100 acres of undeveloped land, you could give us 50 acres. You will, of course, retain complete control of the portion of your real estate that you choose to keep.

Income tax savings: You would receive an immediate income tax charitable deduction for the value of the portion of the real estate that you give, resulting in tax savings if you itemize your deductions.

Capital gains tax savings: Making a charitable gift of real estate eliminates any capital gains tax that would have otherwise been due had you sold the property.

Estate tax savings: A gift of real estate removes that asset from your estate. Therefore, if estate tax applies to your situation, you would not be subject to estate tax on that asset.

Give your real estate through your estate

By making a gift of real estate in your estate plan, you would retain use of your property during your life, and gain peace of mind knowing that you have a plan for later. What’s more, should your circumstances or priorities change, you can change your gift plan whenever you like. Including a gift of real estate in your estate plan now will help assure that your wishes will be carried out later.

Estate tax savings: A gift of real estate removes that asset from your estate. Therefore, if estate tax applies to your situation, you would not be subject to estate tax on that asset.

Special considerations

Each real estate gift presents a variety of issues to be considered before a decision whether to accept is made. As a starting point, Bentley first conducts a Preliminary Assessment to determine if the proposed property is something we wish to further review. If so, consideration of accepting the property moves to the due diligence process. Key steps in the due diligence process include, but are not limited to: inspecting the site and reviewing all pertinent documents; requesting a market appraisal to establish that the property can be sold within a reasonable time and for a price expected by the donor and Bentley; and learning about property taxes and carrying costs.

Should Bentley be willing to accept a donation of real estate, the donor must cover the costs of their own qualified appraisal (this is different from the market appraisal referred to above) for tax purposes as well as bear the expense of carrying costs until the property is sold. Bentley is generally interested in properties that will have a free and clear net value to the University of at least \$100,000.

Once Bentley has agreed to accept the property, the donor or a Bentley representative will arrange for the deed and title work, ensuring that it is performed by those most familiar with the

local laws and real estate customs. Bentley will assist by providing draft language for the agreements between the university and the donor.

The donor is responsible for substantiating the charitable deduction for the IRS. An outright gift would convey a full, fair market value deduction. If the gift is funding a life-income (deferred) gift, the donor's charitable deduction will be a portion of the fair market value of the property.

Example

Juan owns several buildings in his hometown. While they have been a good investment for him over the years, he's ready to stop being a landlord. His properties have grown substantially in value, so he's concerned that he will have a big capital gains tax bill to worry about if he sells them. He would also like to show his dedication to Bentley by making a major gift.

One of Juan's buildings is appraised for \$300,000. He purchased it for \$45,000. Juan proposes that he donate it to Bentley, which will eliminate his concern over capital gains tax. After performing our own due diligence review of the property, we confirm that we will be able to accept the property.

Benefits

- Juan receives an immediate \$300,000 income tax charitable deduction, assuming he itemizes his deductions.
- Juan saves \$111,000 in income tax (assuming he is in the 37% tax bracket) and \$51,000 in capital gains tax.
- Juan's total tax savings is \$162,000.
- Juan is relieved of all responsibilities of owning the property.
- The asset is removed from Juan's estate and therefore would not be subject to estate tax, assuming it applied to Juan at the time of his passing.

NEXT STEPS:

To receive further information about real estate, or to learn more about how your gift can help Bentley, please contact Liz Siladi, Director of Gift Planning and Senior Philanthropic Advisor, or Kris Otto, Associate Director of Gift Planning.

- **call Liz at 781-891-2475 or Kris at 781-891-2586**
- **email Liz at esiladi@bentley.edu or Kris at kotto@bentley.edu**

* We are pleased to provide this information to you; however, it should not be considered professional advice. We encourage you to contact your own legal and/or tax advisor(s) for applicability to your personal circumstances.



By supporting Bentley, you are helping to prepare today's students to become tomorrow's globally focused, ethical business leaders.