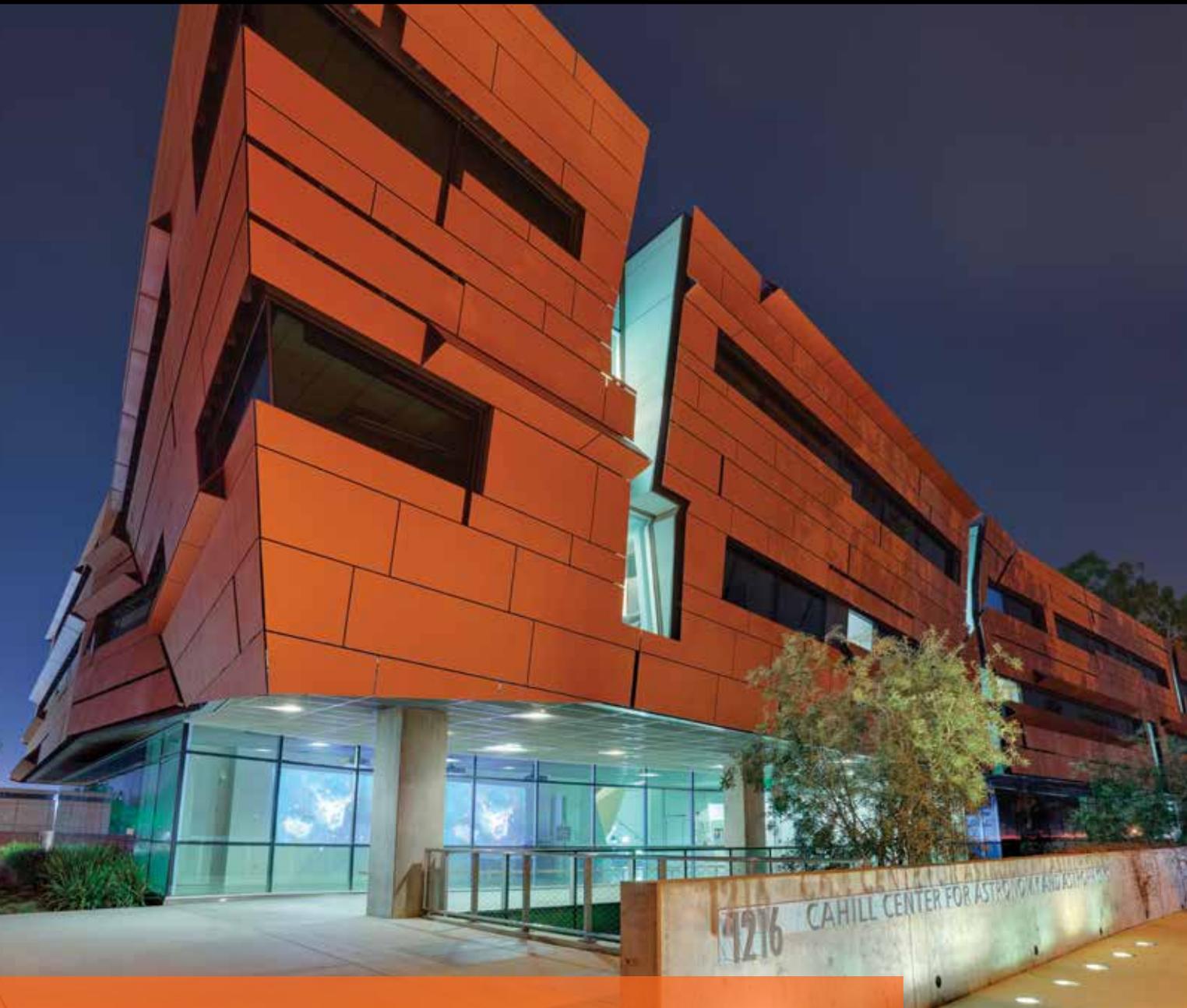


Caltech



Gifts of Real Estate



Whether it is your home, your second home, a rental property, a commercial building, or another real estate holding, you can use it to advance world-changing research and education. Making a gift of real estate could be the right choice for you. There are numerous ways to give, including options that reduce your income tax burden and some that generate income for you. Here are some common approaches:

Outright gift

The simplest way to make a gift of real estate to Caltech is to give the property outright. If the property has been owned for more than a year, you will receive an income tax charitable deduction for the full fair market value of the property, subject to IRS limitations based on your adjusted gross income.

Give and retain use

You can give your personal residence or vacation home to Caltech now and retain the right to use the property, should you wish. This often happens with vacation homes where summer or holiday family gatherings take place. Customarily, you will be responsible for maintaining the property and paying all real estate taxes and insurance. In exchange for the

gift, you will receive an income tax charitable deduction for the present value of the interest in the property that you have given to Caltech. After your passing, Caltech will own the property outright.

Give in exchange for income

If receiving income in exchange for the gift is your financial objective, you can contribute your property to a charitable remainder trust that you establish to ultimately benefit Caltech. You will designate who is to receive payments of income from the trust, which customarily is you, your spouse, and/or other loved ones. You determine the payout rate and how long the trust will be in existence, subject to IRS regulations. Since the trust is tax-exempt, your property can be transferred into the trust and sold by the trustee without capital gains taxes being owed upon sale.

Give some, get some

Perhaps you want to make a gift of real estate to Caltech, but you need some of the proceeds when the property is sold. You can give a partial interest in the property to Caltech and then join together with Caltech to sell the property. At closing, you and Caltech will receive the proceeds for your respective interests in the property.

WHO PAYS WHAT

One of the most common questions asked about gifts of real estate is who is responsible for paying the fees and costs associated with the gift. Donors pay all expenses attributable to the property prior to the gift date, including:

- Property taxes and assessments
- Insurance premiums
- Utilities
- Maintenance
- Repairs
- Insurance claim deductibles, etc.

The donor also pays the appraiser's fee for the qualified appraisal to support the income tax deduction claimed for this gift. This is considered a cost associated with completing the donor's tax return. Also, the donor pays the attorney fees for the review of the charitable gift plan and the drafting of the deed transferring the property.

Lastly, the donor is responsible for environmental assessments. The donor should expect to pay for more extensive reviews if they are needed.

CHECKLIST FOR DONORS

Real estate gifts involve a lot of moving pieces. This checklist gives an at-a-glance overview of the information Caltech will need from you.

Before the gift is complete, Caltech will need:

- ✓ **Original purchase information (date and price) and dates and amounts of capital improvements.** *This information constitutes your cost basis in the gift property and will be used to calculate the tax character of the beneficiary payments made from the trust.*
- ✓ **Latest tax bill with assessor's valuation.** *This will provide us a preliminary indication of the property's value.*
- ✓ **Information about how the property is owned: copy of the deed and copy of the title insurance policy.** *This will help us determine who legally owns the property (you, you and your spouse, a business entity, etc).*
- ✓ **Information about the property and where it is located.** *This will help us to conduct our "due diligence process" and identify issues that might be relevant to the gift plan. If your real estate is rental property, it will also help us to estimate cash flows.*
- ✓ **Information about the condition of the property.** *This will help us determine whether there are any deferred maintenance issues and the potential costs of readying the property for sale.*
- ✓ **Information about property value.** *If the gift goes forward, you will need to secure a qualified appraisal (see "After the gift is complete" section) in order to substantiate your charitable deduction. However, before then, we will want to get a sense of the property's value.*
- ✓ **Information about debt on the property.** *Debt on the property can cause tax complications for certain gift structures. This information will help us get a sense of the options available to you.*
- ✓ **Information about restrictions on the property.** *This will help us assess the marketability of the property.*



After the gift is complete:

- In order to claim your income tax charitable deduction, the IRS requires you to obtain a qualified appraisal conducted by a qualified appraiser.

IMPORTANT CONSIDERATIONS

Gifts of real estate can frequently save you thousands of dollars in income, estate, and capital gains taxes while providing a substantial



benefit to Caltech. However, the IRS has regulations that apply to these gifts, so you are urged to consult with your own advisors in regard to the tax consequences of your gift and how it should be reported.

Caltech will conduct due diligence on the property before accepting the gift. We appreciate your patience with this process, as Caltech must be sure that your property will provide the financial benefits anticipated.

Benefits

With a gift of real estate that you have owned for more than one year, the benefits may include:

- No capital gains tax on transfer
- Financial security for loved ones
- Increased lifetime income
- Continued use of the contributed property during your life
- Support Caltech's research and educational mission

Caltech

To start a conversation about real estate, please contact us:

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Learn more at giftplanning.caltech.edu/realestate