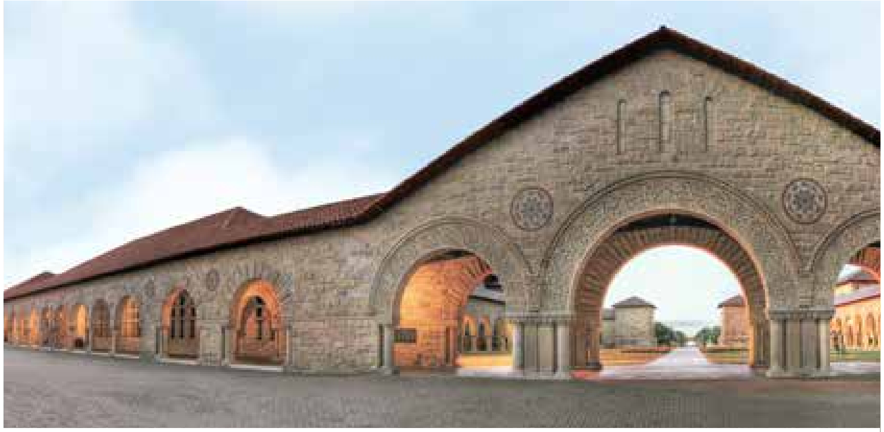

Making a Gift of Real Estate

Thinking of selling your **home, commercial building,** or **investment property**? Enjoy tax benefits, generate income, and help Stanford with a gift of real estate.

Stanford University

Is Giving Real Estate Right for You?

Do you own **residential**, **commercial**, or **undeveloped real estate** that has appreciated in value—and you no longer wish to manage or maintain it?

Has your **home risen in value** beyond the capital gains exclusion rate?

Do you have a **vacation home** that your family no longer uses?

Would you like to use your **real property** to pay income to you for life?

If you are interested in making a gift to Stanford and your answer to any of these questions is "yes," a gift of real estate may be a good option for you.

The benefits of a gift of real estate

THERE ARE SEVERAL WAYS YOU CAN DONATE REAL ESTATE. EACH METHOD PRESENTS distinct advantages, depending on your circumstances and goals.

By giving property to Stanford, you can avoid or reduce the capital gains tax you would otherwise pay on sale, you may be able to take a substantial income tax deduction, you may choose to receive income for life, and you will have the satisfaction of providing significant support to the university.

A few things to know before making a gift of real estate:

- In general, it is Stanford's policy to sell gift property rather than maintain and manage it.
- Before accepting any gift of real estate, a Stanford representative must inspect your property to determine whether it can be sold within a reasonable amount of time and to ensure that there are no significant liabilities associated with it.
- If you intend to claim a charitable income tax deduction for your gift of real property, the IRS will require you to obtain an independent, qualified appraisal to determine the property's fair market value.
- Due to tax issues, debt-encumbered property is usually not appropriate for a charitable gift of real estate.

You can make an outright gift of your residence, rental or commercial property, or undeveloped land.

STANFORD HAS BEEN THE GRATEFUL RECIPIENT OF ALL SORTS OF REAL ESTATE OVER the years, from a working cattle ranch in Colorado to a Manhattan condominium, from vacation homes to commercial buildings. Once Stanford has agreed to accept a gift of real estate, you may give a partial or full interest in your property by simply executing and recording a deed naming the university as the new owner.

HOW DOES IT WORK? Joe Rivera wants to make a gift in memory of his parents, both Stanford alumni. He also happens to have an undeveloped piece of land outside Seattle that he no longer wants. The land, which he bought for $100,000 several years ago, is now worth $400,000. If Joe were to sell his land, he would pay a considerable amount of capital gains tax (at least $45,000 in federal tax). Instead, Joe decides to give the property to Stanford, stipulating that Stanford use the proceeds from the sale of the property to set up an endowed scholarship in his parents' names. He is entitled to a charitable income tax deduction for the full market value (as determined by an independent appraiser), he does not pay capital gains tax, and he is able to make a sizable gift to the university. When Stanford sells the property, it will not pay any capital gains tax since it is a tax-exempt charity. The full amount of the proceeds (less any selling expenses) will be allocated to the endowed scholarship fund.

You can give property to establish a charitable remainder trust.

BY ESTABLISHING A CHARITABLE REMAINDER TRUST, YOU CAN PROVIDE FOR A FUTURE gift to Stanford while receiving a tax deduction and a long-term income stream. When you give real property to establish a charitable remainder trust, the trustee, which could be Stanford, can sell the property without paying capital gains tax. The full proceeds from the sale can then be invested by the trustee and used to pay you and/or your beneficiaries an income for life or for a term of years. After your lifetime or when the trust term ends, the remaining funds will pass to the university to be used for the purpose(s) you designate. You may also be able to use a partial interest in the real property to fund the trust, and retain the cash proceeds from the sale of the remaining interest in the property.

HOW DOES IT WORK? Jon and Delia Smith bought a Bay Area home for $50,000 in 1970. When they decide to retire to Delia's family farm in Oregon, they need to figure out what to do with their California home. It is now worth $1.5 million, and the capital gains taxes associated with the sale would significantly erode their profit. By giving their home to establish a charitable remainder trust, they will be able to take a substantial tax deduction (about $700,000). Since charitable remainder trusts are tax-exempt, Stanford, as trustee, will not have to pay capital gains tax on the sale, and the net proceeds will be invested in the trust. The couple will begin receiving an income equal to a percentage of the trust value that is agreed upon when the trust is established (which must be at least 5 percent) each year for the rest of their lives. When the trust ends, their gift will establish the Jon and Delia Smith Fund for Cancer Research at Stanford.

You can make a gift of a remainder interest in your home.

A GIFT OF A REMAINDER INTEREST IN YOUR HOME MAY BE RIGHT FOR YOU IF YOU WISH to continue to live in your home for your lifetime. With this arrangement (sometimes called a *retained life estate*), you transfer a remainder interest to Stanford, which entitles you to a significant income tax deduction. You also enter into an agreement with Stanford that you will continue to perform all obligations of ownership, such as paying taxes and insurance. When the property comes to Stanford, without probate or other administrative procedures, the university will use the proceeds of the sale as you have instructed.

You can sell your property to Stanford at a discounted price, also known as a *bargain sale.*

IN SOME LIMITED CIRCUMSTANCES, STANFORD WILL PURCHASE PROPERTY AT A discounted price—typically not more than 50 percent of its fair market value. The difference between the price Stanford pays and the fair market value (as determined by appraisal) constitutes the gift to Stanford, which entitles you to an income tax deduction. This also provides you with cash from the purchase by Stanford.

You can leave property to Stanford through a bequest.

YOU CAN MAKE A GIFT OF REAL ESTATE THROUGH A PROVISION IN YOUR WILL OR revocable trust agreement. Once Stanford receives the property, it is generally sold and the proceeds are used according to the purposes outlined in the bequest documents.

Contact Us

STANFORD'S OFFICE OF PLANNED GIVING IS READY TO ASSIST YOU IN MAKING THE BEST philanthropic decisions for your financial needs. We are all experts in charitable gift planning, with considerable experience relating to charitable trusts, bequests, and other types of planned gift instruments. We enjoy making sure that donors make smart use of their assets for themselves and for Stanford. Please contact us for more information at **800.227.8977, ext. 54358**, or **planned.giving@stanford.edu**.

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