



USING REAL ESTATE FOR CHARITABLE GIFTS





The Delaware Art Museum connects people to art, offering an inclusive and essential community resource that through its collections, exhibitions, and programs generates creative energy that sustains, enriches, empowers and inspires.

The Museum is dedicated to a donor-centered philanthropic planning approach. We collaborate with you and your advisors to integrate your personal planning objectives for yourself and your family, both today and tomorrow, with your support for the Museum. For most families, a significant portion of their net worth is tied up in real estate. It is possible to use that real estate to support the Museum while also meeting your family's personal planning objectives.

Is it possible to make a gift of real estate to benefit the Museum?

A gift of real estate can be one of the most tax-wise ways to support the Museum. You can avoid any capital gains tax which would be due if you sold the property and you receive an income tax charitable deduction for the full value of the property. In addition, you may avoid future estate and inheritance taxes.

Making an outright gift of your home or vacation home is the most common real estate gift. In most cases, the Museum will sell the property and use the proceeds immediately for a purpose you designate. The amount of your gift is the full fair market value of the property as determined by your appraiser.

Example: Sally and her husband Walter own a single family home worth \$750,000 in the suburbs of Wilmington. They raised three children in the home and have watched its value skyrocket over the years. They would like to sell the house and move to their vacation home at the beach. Unfortunately, if Sally and Walter sell their home, they would have to pay a hefty capital gains tax. Under current law, they each can avoid paying capital gains tax on up to \$250,000 of gain on the sale of their home. With a \$750,000 sales price, less the cost basis of \$40,000, less a \$250,000 exemption for Sally and a \$250,000 exemption for Walter, they have a net gain of \$210,000. By donating the home, they would avoid 15% capital gains tax on the \$210,000 gain, or \$31,500 in tax. They would also benefit from an income tax charitable deduction for the full \$750,000. Perhaps most importantly, Sally and Walter can make a gift to support the Museum's education programs, which cemented their children's interest in the arts.

Suppose I want use the equity in my house to make a gift to support the Museum today but I also want to continue to live there. Is there a way to capitalize on the value of my house while making a current gift?

It is possible to make a gift of your home now but retain the right to live there for life. You benefit from an income tax charitable deduction for the value of the remainder that will come to the Museum, making a significant gift with what might be your most valuable asset. Best of all, there is no change to your living arrangements or your cash flow. You benefit from an income tax charitable deduction for the value of the home less the value of your right to live there for life. The house is removed from your assets for gift and estate tax purposes but you continue to use and enjoy the home for the rest of your life.

I'd love to make a gift of my vacation home but I'm concerned about whether my retirement income will be sufficient to maintain my lifestyle. Is there a way to use my vacation home to supplement my income?

You can convert your vacation home into an income stream—and save taxes too. There are several charitable vehicles that allow you to receive either an annuity amount or payments that can increase over time in exchange for your vacation home. It may even be possible to receive a small cash amount at the time of your gift.

I'd like to include a gift of real estate to the Museum in my estate plans. Can I do that?

You can make a gift of property to the Museum by including a bequest in your will. Your estate receives an estate tax charitable deduction for the value of the real estate at the time of your death. You can suggest the following language to your attorney:

I give the real property located at _____ (insert legal description of the property to be donated to the Museum) to the Delaware Art Museum, a charitable institution incorporated under the laws of Delaware and located in Wilmington, DE.

For your Information

Due to the complex nature of real estate gifts, and the many different forms in which real estate interests can be held, there will be certain gifts of real estate that the Museum will not be able to accept. If you are considering a real estate gift, contact us at 302.351.8526 or via email at legacy@delart.org.

The Delaware Art Museum is dedicated to a donor-centered philanthropic planning approach. This means that we work with you and your advisors to ensure that your personal planning objectives for yourself and your family, both today and tomorrow, integrate with your support for your favorite charities, like the Delaware Art Museum. Only by looking at your philanthropy through this lens can we ensure that your gifts fit with your tax, estate, and financial planning. We look forward to working with you and your advisors.