



## Case Study: Donating Restricted Stock

# Donating Residential Real Estate

### How to increase your gift to charity by donating real estate directly

Mike, a recently retired CEO of a publicly traded company, was ready to downsize. His financial advisor suggested an interesting option that would simplify his lifestyle and help fund Mike's passion to support charities focused on issues related to homeless youth during his retirement. Mike had purchased a house at the beach years ago, and it had turned out to be a very good investment. Over time, it had appreciated, and Mike's financial advisor suggested that he use the house to provide funds for his philanthropic plans, especially since his income in retirement would be reduced.

Instead of selling the house, now valued at \$1.5 million, and contributing the proceeds in cash, Mike's advisor suggested a better way: by contributing the asset to Fidelity Charitable, Mike would be able to take a tax deduction of the fair market value of the house, based on a qualified appraisal, and eliminate his capital gains tax on the appreciation.



#### Considerations for donating real estate

- The property must be "highly marketable" and ideally will be highly appreciated.
- While the charity will consider investment property with an income stream, the charity's due diligence process for investment property is considerably more involved.
- The property generally must be debt free.
- The individual must be willing to irrevocably transfer the property to the charity, which will exclusively control the sale, including negotiating the sale price.
- Since contributions involving real estate involve additional due diligence and processing, only properties with a fair market value of at least \$1.5 million will be considered.

## Maximize your charitable giving

Mike established a Giving Account® at Fidelity Charitable® and irrevocably contributed and transferred the title of the property to Fidelity Charitable®. Fidelity Charitable was then able to sell the asset, and the proceeds went directly into Mike's Giving Account. As a result, Mike was able to dedicate \$261,800 more to charity than if he had contributed the after-tax proceeds from the sale of his house.

## Donate when and where you want

In addition to enjoying tax benefits and providing additional funds to charity, Mike also enjoyed an additional benefit: the spontaneity of giving with a dedicated charitable fund. Immediately after hearing an inspiring radio interview with the founder of a homeless outreach organization, Mike felt touched by her story and thought, "This is a group I want to help." And it was simple for him to do so—just by recommending a grant from his Giving Account®.

Value of Mike's Home: **\$1,500,000**<sup>1</sup>

Original purchase price: **\$400,000**<sup>2</sup>

Federal long-term capital gains rate: **23.8%**<sup>3</sup>

Sell the house and donate the after-tax proceeds		Donate the house directly to Fidelity Charitable:	
Fair market value of house	<b>\$1,500,000</b>	<b>\$1,500,000</b>	
Long-term capital gains tax paid (23.8%)	<b>\$261,800</b>	<b>\$0</b>	
Charitable contribution / charitable deduction	<b>\$1,238,200</b>	<b>\$1,500,000</b>	

**Additional amount dedicated to charity: \$261,800**

*This hypothetical case study is provided for illustrative purposes only. It does not represent an actual donor, but is meant to provide an example of how a donor-advised fund can help individuals give significantly more for the causes they care about.*

## When donating real estate directly, Fidelity Charitable can:

- Simplify the process of contributing high-value, highly appreciated real-estate
- Guide the entire asset transfer process
- Help realize the most favorable tax consequences with the greatest charitable impact
- Work with the advisor and donor in advance of the contribution

<sup>1</sup> Fair market value of the property, as determined by a qualified independent appraisal.

<sup>2</sup> This assumes all realized gains are subject to the maximum federal long-term capital gains tax rate of 20% and the Medicare surtax of 3.8%, and that the donor originally planned to sell the property and contribute the net proceeds (less the capital gains tax and Medicare surtax) to charity.

<sup>3</sup> The property included in this example is not considered a personal residence for tax purposes. Assumes no unrelated business taxable income (UBTI) and top ordinary income tax rate of 37% for valuing charitable deduction. The fair market value is as determined by a qualified independent appraisal.

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