

Worth a Look: Charitable Gifts of Real Estate



If your client base includes philanthropic individuals and families, you're likely aware that gifts of real estate are an option to fund charitable giving. **Real estate is the [largest](#) asset class in the world, yet various industry sources suggest that only [3%](#) of charitable giving involves gifts of real estate.** Still, it's understandable that charitable real estate donations are often overlooked; the rules and process are [complex](#). What's more, many clients struggle [emotionally](#) when they start to think about parting with their real estate.

Things might begin to change, however, as real estate ownership changes hands at a rapid pace in the midst of a major [transfer of wealth](#) over the coming years. Gen X and Millennials are [expected](#) to potentially inherit trillions of dollars in real estate, and that shift has important implications for charitable giving. As more families hold significant wealth in property rather than cash, philanthropy will increasingly involve non-cash assets, especially appreciated real estate. At the same time, many clients are reassessing properties they already own, particularly vacation homes that once felt like a dream but now feel underused, costly, or burdensome.

Given these shifting market dynamics, it is important to be aware of how real estate can be repurposed to support charitable goals in a tax-efficient way. Here are six points to keep in mind:

1. **Gifts of long-term capital assets**, including real estate, are typically eligible for a charitable deduction based on the property's fair market value, rather than its original cost when they're given to a public charity. You'll want to confirm that the property qualifies as a long-term capital asset, since the fair market value deduction is available only for property held for more than one year.
2. **Your clients can make gifts of real estate to a donor-advised or other type of fund at the Community Foundation.** Because the Community Foundation is a public charity, when the property is sold, the proceeds can flow into the fund without triggering capital gains tax. This allows a client to convert an illiquid or burdensome asset into a flexible charitable resource that can support favorite causes over time.
3. Before your client sets in motion a gift of real estate, **please reach out to our team to help evaluate and coordinate the viability of the gift, as well as offer options for the types of fund or funds to receive the proceeds to achieve your client's charitable goals.**
4. Additional considerations include confirming that the **property is not encumbered by a mortgage or other debt, which can complicate the gift, evaluating whether depreciation recapture or unrelated business income tax** could apply, and determining whether environmental due diligence is required.
5. As is the case with any gift of an [illiquid](#) asset, documentation and process are critical. **Your client must obtain a qualified appraisal to establish fair market value and properly report the gift on Form 8283**, and the transfer must be completed using appropriate legal documents, including a deed.
6. You'll also want to **ensure that the client has not prearranged a sale of the property** (even through casual conversations), which could jeopardize the deduction under the IRS's anticipatory assignment of income [rules](#) or step transaction doctrine.

Although the technical requirements can seem [daunting](#), the payoff of a real estate gift can be substantial for both your client and the community. The Chester County Community Foundation is here to help with the charitable aspects of all types of gifts, and real estate is no exception. We look forward to working with you and your clients to help transform real estate into a powerful tool for lasting charitable impact.

For more information, contact the Chester County Community Foundation:

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The team at the Chester County Community Foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.