



## STEPS FOR MAKING A GIFT OF REAL ESTATE

Princeton welcomes gifts of real estate, including land or buildings. These gifts may provide significant benefits for the donor as well as for the University. Depending on the type of gift, a donor may enjoy tax savings, lifetime payments and freedom from carrying costs, once the real estate is sold.

Real estate gifts require more planning than gifts of cash or marketable securities. The University will need some time to gather necessary information and to evaluate legal and financial issues before making a decision with respect to accepting a gift of real estate. If the University does decide to accept a gift of real estate, donors should be aware that the sale of donated property requires patience and realistic pricing. Please review the following information with your tax and legal advisors.

### Talk to a Princeton University Gift Planning Officer

We will need to know the type of property you are thinking of donating as well as the method of making the gift. For example:

- An outright gift of your real estate.
- A gift of real estate into a trust that provides payments to you or beneficiaries you designate. This is called a charitable remainder trust.
- A gift of real estate wherein you retain certain interests, such as the right to live in your home for the duration of your life, and give the remainder to the University. The Office of Gift Planning can give you further information about the tax and financial benefits of these and other gift methods.

### Provide Information and Documents to the Office Of Gift Planning

Because legal restrictions may limit the ability of the University to own or sell a parcel of real estate, the University must review all relevant information before deciding whether to accept a gift of real estate. Information and documents required for review include:

1. Copy of the deed to the property.
2. Copy of any condominium agreements, restrictive covenants, leases and/or management agreements.
3. Copy of a current real estate appraisal by a qualified real estate appraiser. (See below)
4. Copy of any property tax statements and insurance policies.
5. A completed questionnaire (which we will provide to the donor) regarding environmental issues.
6. Estimated or actual carrying costs for the real estate. These costs include property taxes, insurance and maintenance, and depending on the type of property, this may include utilities, grounds care, snow removal, caretaker fees and condominium fees. In addition, the University will conduct a title search at the University's expense.



## Obtain a “Qualified Appraisal”

The donor will need to obtain a “qualified appraisal,” as defined by the Internal Revenue Service (IRS), and provide a copy to Princeton for its review. The qualified appraisal is required by the IRS for the donor to substantiate the value of the gift and receive a charitable tax deduction.

For IRS filing requirements the qualified appraisal must be dated not more than sixty days before the date of a gift. If more than sixty days elapse between the date of appraisal and the date of gift, the donor will need to have the qualified appraisal updated for tax filing purposes. The cost of the qualified appraisal is borne by the donor. In some cases this cost can be deducted.

## Give The University Time to Review and Accept the Gift

Once the University has all the necessary information, the University’s Committee for Gifts of Real Estate will conduct a due diligence review in order to decide whether to accept the gift. Typically, we will keep the donor informed about the timing and the process by phone and follow up with a confirmatory letter.

## Make Arrangements to Transfer the Property to The University

Once the proposed gift has been approved, the University’s Office of Real Estate Finance and the Office of General Counsel will coordinate with the donor and the donor’s legal advisors to arrange the closing and transfer of title.

The donor’s legal advisors will prepare and record the deed and any related documents because of their knowledge of local law and procedures. The University’s Office of General Counsel will assist by providing draft language for the documents, particularly language with respect to retained life estates and charitable remainder trusts.

The date of gift is usually the date on which title to the property is transferred to the University (except that in certain states the date of gift is the date the transfer is recorded).

## Consider Carrying Costs and Transfer Taxes

Just as the donor is responsible for carrying costs prior to the gift, carrying costs (see previous page) will generally continue to be the donor’s responsibility until the property is sold by the University.

If the donor retains a life estate in the property, the donor will be responsible for carrying costs as long as the donor lives or until the donor releases the life estate. If a gift is to a charitable remainder trust, the donor will be responsible for making additional contributions to the trust to cover the carrying costs until the trust sells the property.



Realty transfer taxes, assessed in many states and some local jurisdictions on the transfer of title, will be the donor's responsibility as well. If a gift is to a charitable remainder trust, realty transfer taxes may be payable on the initial gift and again on the sale of real estate by the trust. In such a case, the donor will be responsible for both realty transfer taxes.

Note that the donor's gift to a charitable remainder trust to cover carrying costs and realty transfer taxes is considered an additional charitable contribution, a portion of which is generally deductible for tax purposes.

## **Understand IRS Reporting Requirements**

The University cannot provide tax advice but can assist the donor's tax advisors with the calculation of the donor's charitable tax deduction. Please bear in mind that gifts of remainder interests will limit the donor's deduction to a portion of the appraised value of the real estate.

The donor is responsible for substantiating his/her charitable tax deduction for the gift of real estate by obtaining a qualified appraisal (described above). The appraisal is used to prepare IRS Form 8283, which the University will sign and the donor is required to file with his/her tax return for the year in which the deduction is claimed. The IRS may disallow a deduction if Form 8283 is not filed.

If the University sells donated property within three years of the gift date, the University must disclose the sale price by filing IRS Form 8282. In such an event, the University would send a copy of the completed Form 8282 to the donor.

**Thank you for considering a gift of real estate to Princeton.**

**If you have further questions, please call the Office of Gift Planning at (609) 258-6318.**