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.

THE STANFORD CHALLENGE

Seeking Solutions, Educating Leaders

Is Giving Real Property Right for You?

- Are you or your family in a position, both practically and financially, to give real property to a charity?
- Do you own a highly appreciated piece of real estate that you no longer wish to manage?
- Has your home appreciated well beyond the capital gains exclusion amount? If so, would you like to use your home to earn an income for life without having to pay capital gains tax when it is sold?
- Are you interested in making a future gift of your home that would entitle you to a substantial income tax deduction now and would enable you to continue living in that home for the rest of your life?

If you are interested in making a real property 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.

A concern of real estate owners with property that has significantly appreciated in value is that much of their profit from a sale will be consumed by capital gains taxes. If this describes your situation, you may want to consider making a charitable gift of your real estate instead of selling it. By giving property to Stanford, you will not have to pay capital gains tax, 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. And during The Stanford Challenge, your gift may qualify to earn matching funds from the university.

WAYS OF GIVING REAL ESTATE

There are several ways you can donate real estate. Each method presents distinct advantages, depending on your circumstances and goals. In general, it is Stanford's policy to sell gift property rather than maintain and manage it. So, 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.

Cover Photo Credit: L.A. Cicero/Stanford News Service

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An outdoor class, circa 1960.

THE STANFORD CHALLENGE

In 1891, Jane and Leland Stanford created Stanford University in memory of their son, Leland Stanford, Jr. Only 15 years old when he died of typhoid, his short life inspired his parents to establish a great place of learning "in behalf of humanity and civilization." More than 100 years later, Stanford University has developed into a hub of innovative research and education whose world-renowned faculty and exceptional students are poised to play a critical role in seeking solutions to some of the world's most important issues.

Universities have always played a part in solving problems. As global challenges have become more complex, however, faculty members and students need to work across disciplines to achieve real breakthroughs. To make this happen, Stanford has launched The Stanford Challenge, a five-year, $4.3 billion campaign aimed at seeking solutions to complex, global problems and educating the next generation of leaders. At the heart of the campaign are three major themes—human health, the environment and sustainability, and international peace and security. Whether the aim is curing cancer, preserving the health of the world's oceans, or understanding the root causes of terrorism, the opportunities created by The Stanford Challenge have the potential to make a real difference in people's lives all over the world.

Jane and Leland Stanford realized their dream through their own generous gifts and bequests. Today, the work of the university continues thanks in large part to the bequests and gifts of alumni and friends. When you make a gift of real estate to The Stanford Challenge, you are not only creating a legacy for the well-being of a great university, but also contributing to the greater good.

thestanfordchallenge.stanford.edu

THE STANFORD CHALLENGE

Seeking Solutions, Educating Leaders

Stanford basketball, circa 1960

Campus scene, circa 1960.

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 property over the years, from a working cattle ranch in Colorado to a Manhattan high-rise condominium, from vacation homes to commercial buildings. You may give Stanford 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?

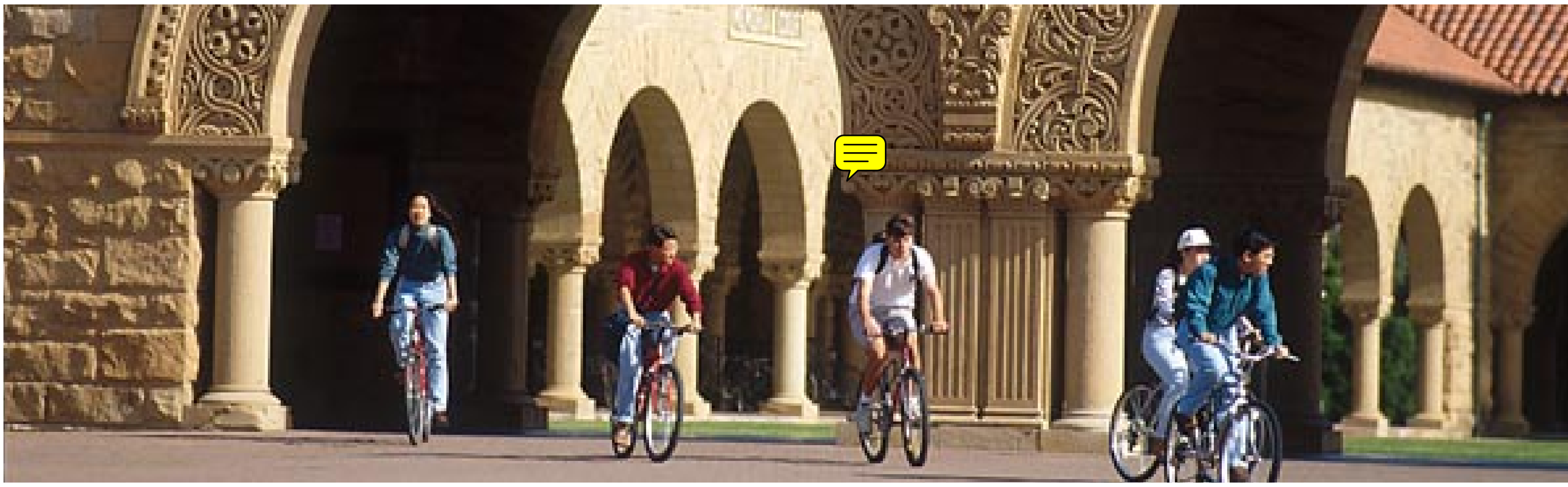
Joe Rivera wants to make a gift in memory of his parents, both Stanford alumni. He also happens to have an undeveloped piece of land outside Seattle that he is no longer interested in holding. The land, which he bought for $100,000 several years ago, is now worth $400,000. If Joe were to sell his land, 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 $400,000 proceeds from the sale to set up an endowed scholarship in his parents' names. He gets an income tax deduction for the full market value (as determined by an independent appraiser), he does not have to pay capital gains tax, and he is able to make a sizeable gift to the university. When Stanford sells the property it will not have to pay any capital gains tax since it is a tax-exempt charity, so the full amount of the proceeds (less any selling expenses) can be allocated to the endowed scholarship fund.

YOU CAN GIVE PROPERTY TO ESTABLISH A CHARITABLE REMAINDER TRUST (CRT).

By establishing a CRT, you can provide for a future gift to Stanford while receiving a tax deduction and a long-term income stream. When you give your property to establish a CRT, the trustee, which could be Stanford, can sell the property and—because CRTs are tax-exempt—no capital gains tax is paid. The proceeds from the sale will then be invested by the trustee. This investment will be used to pay you and/or your beneficiaries a regular income for life or for a term of years. When you die or the trust term ends, the remaining funds will pass to the university to be used for whatever purpose(s) you wish to support at Stanford.

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 CRT, they will be able to take a substantial tax deduction (about $700,000). Since CRTs 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 at least five percent of the trust value 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's medical school.



YOU CAN GIVE A REMAINDER INTEREST IN YOUR HOME TO STANFORD BUT RETAIN THE RIGHT TO LIVE IN IT FOR YOUR LIFETIME.

If you would like to make a gift of your home, but would also prefer to continue living in it for your lifetime, you may transfer a remainder interest in the property to Stanford. With this arrangement, you receive a large income tax deduction, you and/or your named beneficiaries may continue to use the property as you or they like, including living in it or renting it out for the rest of your life. All the obligations of ownership are retained, such as paying taxes and insurance premiums. When the property comes to Stanford, the university will use the proceeds of the sale as you have instructed.

HOW DOES IT WORK?

With the passing of her husband Jack, longtime school teacher Diane Thompson has become the sole owner of their home, a condominium in Chicago worth $250,000. She and Jack long ago paid off the mortgage on the property, and she now owns it free and clear of debt. Diane has no close heirs, so she decides she'd like the property to go to her alma mater, Stanford, on her death. With help from Stanford's planned giving staff, she gives a remainder interest in the condominium to the university, entitling her to an immediate income tax deduction of $150,000. She will live out her life in her home, and when she passes away, full ownership will vest in Stanford automatically and outside her probate estate. Stanford will then use any sale proceeds to establish the Jack and Diane Thompson Fellowship Fund in the School of Education, in accordance with Diane's wishes.

YOU CAN GIVE A PARTIAL INTEREST IN YOUR PROPERTY.

If you give Stanford what is called an undivided partial interest in your property, you will co-own the asset with the university until it is sold. As co-owners, you and the university will be jointly responsible for the property and will have agreed terms for maintaining it. Through this type of gift, you can use the full capital gains tax exclusion amount on the sale of the interest that you retain in the property. In addition, you will be able to claim an income tax deduction for the appraised value of the interest in the property given to Stanford. In general, Stanford will only enter into this arrangement if you are willing to jointly sell the property within a relatively short time period.

HOW DOES IT WORK?

In 1985, Stanford graduates Tom and Sally Chang bought a home in suburban Washington, D.C., for $100,000. Decades later, their house is appraised at $1.1 million. Realizing that selling the property at full price will expose them to capital gains taxes on $1 million, they decide to give a 50 percent interest in the house to Stanford in a charitable remainder trust (CRT). Acting jointly with Stanford (in its role as trustee) to sell the property, the Changs will pay no capital gains tax, taking advantage of the $500,000 exclusion on the sale of a personal residence. The net proceeds from the sale will be divided equally between the Changs and the CRT. In addition to the capital gains tax exclusion, the Changs will get a substantial income tax deduction for the CRT gift to Stanford and an income for life. And when the trust ends, the university will receive the remaining trust assets, which the couple has asked to have divided between the Hoover Institution and the Tom and Sally Chang Scholarship Fund in the Department of Athletics.

Photo Credit: L.A. Cicero/Stanford News Service

YOU CAN SELL YOUR PROPERTY TO STANFORD AT A DISCOUNTED PRICE—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 a gift to Stanford, which entitles the donor to an income tax deduction for this amount. This approach may be suitable if you want to make a considerable gift to Stanford but need to receive cash for other purposes. It may work for the university if it can sell the property at fair market value within a reasonable time.

HOW DOES IT WORK?

In the 1970s, Bev and Jim Johnson bought a house in Southern California for $100,000. Now, ready to move into a retirement community, they are pleased to learn that their home appraises at $1.2 million. They know they need $500,000 to buy into the retirement community, and they would like to make a significant gift to Stanford in honor of their 50th reunion. They sell their residence to Stanford for $500,000 and take an income tax deduction of $700,000 (the difference between the appraised value and the purchase price) for the gift to Stanford. They are also able to take advantage of the $500,000 exemption from capital gains tax. The university will sell the house and use the net proceeds according to the couple's wishes: to establish a dean's discretionary fund in the School of Engineering and the Beverly Johnson Fund for Music in the music department.

YOU CAN LEAVE PROPERTY TO STANFORD THROUGH A BEQUEST.

You may leave real property to Stanford 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.

HOW DOES IT WORK?

In addition to running a successful law practice, Stanford alumnus Sam Taylor has been managing a commercial property in Florida for more years than he wants to count. A widower with three grown children, Sam does not want to burden his kids with the long-term management of the property when he passes away, particularly as they have all settled on the West Coast. Instead, he elects to leave the $4 million property to Stanford through a provision in his living trust. On his death, his estate will transfer title on the property to Stanford. When it sells, the proceeds will be used, as he wished, to endow the Taylor Family Professorship in the Law School.

CONTACT THE OFFICE OF PLANNED GIVING

Stanford's planned giving staff 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 1.800.227.8977, ext. 54358 or planned.giving@stanford.edu.

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