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## CHARITABLE GIVING—THE DONOR’S CHOICES

People “give to their favorite charity” for many reasons. For some, simply supporting a worthy cause is reason enough for sharing personal wealth. However, with proper planning donors can maximize the benefit to the recipient while minimizing the real cost of the gift by taking advantage of certain tax benefits available to the donor. Potential donors can choose from a wide array of techniques to make donations of money or property including (1) an outright gift, (2) a gift of income generated by an asset (while retaining an interest in the underlying property (called a “remainder interest”)) or (3) a gift of the remainder interest (while retaining income generated by the asset). Another alternative, which may be of particular interest to those with an interest in assuring the availability real estate for recreational uses and preserving wildlife habitat, is the creation of a “conservation easement.”

Gifts may be made during one’s lifetime (a “lifetime” gift) or structured to take effect at one’s death (a “testamentary” gift) and may be made in cash or other personal or real property. The gift may be made outright to a qualified charitable organization or in trust for the benefit of both the charity and the donor. Most lifetime gifts will qualify for an income tax deduction, while testamentary gifts will qualify for gift and estate tax deductions.

The following are examples of several gift giving techniques:

1. **Outright Contribution**—A cash gift is the most basic of all gifts. It is simple and generally entitles the donor to an income tax deduction for the value of the property donated. Instead of cash, some donors prefer to make a gift of “appreciated property.” This permits a donor to make a gift of an asset in which the donor has a low cost/tax basis that will benefit the charitable organization to the full extent of its current value. For example, stock purchased for \$100 but which has appreciated in value over time to \$1,000 may be donated and then sold by the charitable organization which, because of its tax exempt status, is not taxed on the gain. In addition, the donor receives an income tax deduction for the full fair market value of the stock.

2. **Gifts of Partial Interests in Property**—What if a donor wants to make a gift but wants to retain the use of the property or the income (such as rent, dividends or interest) generated by the asset? Or perhaps a donor is willing to commit the use of the property or income to a charity for a period of time, but wants the use or income to revert to family members thereafter. Several of the techniques that can be employed to achieve these goals are (1) a gift of a remainder interest in a personal residence or farm, (2) use of a “charitable remainder trust” and (3) use of a “charitable lead trust.”

**Remainder Interest in Personal Residence or Farm**—This technique permits a donor to make an irrevocable gift of the remainder interest in a personal residence or farm while retaining the use of the property during the donor’s lifetime. The donor receives the benefit of an income tax deduction for the present value of the remainder interest.

**Charitable Remainder Trust**—This is an arrangement in which a donor retains the right to receive a fixed annuity or a fixed percentage of the trust assets and

transfers the remainder interest to a charitable organization. The donor receives the benefit of an income tax deduction for the present value of the remainder interest.

**Charitable Lead Trust**—This is the opposite of a charitable remainder trust—instead of retaining the right to the income from the property, the trust makes annual income distributions to the charitable organization in the form of a fixed annuity or a fixed percentage of the trust assets. After the specified term the remainder interest reverts to those designated by the donor (for example, the donor’s children).

3. **Conservation Easements**—“Conservation easement” is a term generally used to describe restrictions placed by an owner on real property to assure the availability of the land for, among other purposes, recreational use or as wildlife habitat. A donation of a conservation easement to a qualified organization which meets the requirements of the Internal Revenue Code for a “qualified conservation contribution” will be entitled to an income tax deduction. The amount of the deduction will generally be the difference between the fair market value of the property before creation of the easement and the value of the property with the easement. In addition, under Nebraska law real property subject to a conservation easement will be assessed giving consideration to the restricted uses to which the property may be devoted.

By using these and other gift giving techniques a donor can tailor a gift to the donor’s individual circumstances and maximize the benefit to both the charity and the donor. All of the techniques described above are subject to limitations and exceptions as described in the Internal Revenue Code and must be considered in light each person’s individual situation.