

# CHARITABLE REAL ESTATE

## TYPES OF REAL ESTATE DONATIONS

### 1 GENERAL

Our Charitable Real Estate Division "C.R.E.D.", has the ability to Get Funded by all types of real estate, of any size, from anywhere.

All gifts must be marketable or have the ability to become marketable. Timeshares are the only exclusion.



### 2 OUTRIGHT GIFTS

Under an outright gift, the value of the property is established by a "qualified appraisal" and the donor will receive donation documents from the Specialized Nonprofit when the deed is transferred upon closing, or Step 1.

Keep in mind that a donation of real estate is a "Two Step Process".

These donation documents the donor receives, including the qualified appraisal, establish the donor's tax deduction, in accordance with IRS regulations.

When a primary residence, second home, investment property or raw land is free and clear, this makes for a simple process when you have C.R.E.D. ability.

Should any improvements be necessary to make the property marketable, or increase the value in any way, the Specialized Nonprofit takes on that responsibility. Once expenses are reimbursed, the excess proceeds will be granted to the charities that the donor designates.

#### STEP 01.

##### CHARITABLE GIFT

When the property is donated to the 501(c)3, and the donor receives the tax deduction.



#### STEP 02.

##### CHARITABLE FUNDING

When the property is sold/liquidated and the nonprofit world receives the cash proceeds.

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### 3 BARGAIN SALE

A donor may request a partial payment and donate the balance of the property's fair market value, which is established by a current qualified appraisal.

When any money exchanges hands between the property donor and nonprofit they are donating the property to, this is known as a Bargain Sale.

In essence, the nonprofit is "buying" the real estate at a "Bargain".

Property that has a mortgage, residential or commercial, is an example of what would be considered a "Bargain Sale".

Title can not transfer on real estate that is encumbered by debt. The property donor must donate the property to a 501(c)3 in order to get the tax deduction. Therefore, the debt must be paid in order for the 501(c)3 to take title and have the donor receive the tax benefits.

Remember that a donation of real estate is a "Two Step Process".

It is the need to pay off debt, or give cash to the donor upon request that keeps many of the 99% of nonprofits who do not accept real estate out of the game. This requires high levels of investment and risk that they simply are not prepared for.

A Bargain Sale is the same Two Step Process as above. The only difference is a "Bargain Sale Agreement" in lieu of a "Donation Agreement", and of course the need for a large monetary investment before there is a return on that investment.

### 4 CONTAMINATED OR OTHERWISE "UNMARKETABLE" PROPERTY

There are instances where the real estate being donated has unfavorable conditions. There can be environmental issues, remediation required by regulatory agencies, rezoning and any number of reasons why you will want to have an experienced, well-established, and well-funded Charitable Real Estate Division.



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