

# Charitable Remainder Trust

A charitable remainder trust receives cash or property from a donor, makes payments for a life, lifetimes or term of years and then distributes the remainder to charity.



## *The Need*

A donor wants to turn appreciated property that produces little or no income into a productive asset without paying capital gains tax on the sale of the property.

## *A Solution*

A donor contributes the appreciated property to a charitable remainder trust that will sell the property tax-free and then make payments for life or a term of years.

## *The Benefits*

### ***Bypass Gain***

The trust sells property tax-free.

### ***Increased Income***

The trust pays a percentage of its value to the trust beneficiary.

### ***Charitable Tax Deduction***

The donor receives a current federal income tax deduction.

## *The Details*

A donor transfers cash or appreciated property to the CRT. The CRT is a tax-exempt trust that can sell the appreciated property without paying capital gains tax.

### ***Duration***

A CRT can last for the lifetime of one or more beneficiaries or for a specific term of years.

### ***Annuity vs. Unitrust Payout***

A charitable remainder annuity trust (CRAT) pays a fixed dollar amount each year. By contrast, a charitable remainder unitrust (CRUT) pays an amount equal to a percentage of the trust value at the beginning of each year.

### ***Taxation of Payouts***

Most CRT payouts are taxed to the beneficiary as ordinary income and/or capital gain.

### ***Payout Flexibility***

A unitrust offers four flexible payout options. A standard CRUT pays a fixed percentage of the trust value. A net income trust (NICRUT) pays the lesser of the trust's net income or the standard amount. A net income with makeup trust (NIMCRUT) is like a NICRUT but can make additional distributions. Finally, a FLIP trust pays like a NIMCRUT until a certain date or event and then "flips" to payout like a standard CRUT.