

# Charitable Lead Trust

A charitable lead trust (CLT) receives cash or property from a donor and makes payments to charity for a specified period. At the end of the period, it distributes the trust property to a specified beneficiary, usually family.



## *The Need*

A donor wants to give a gift to charity for a period and pay as little gift or estate tax as possible.

## *A Solution*

A donor contributes property to a trust that will make distributions to charity for a specified term and ultimately distribute the property to the donor's family or be returned to the donor.

## *The Benefits*

### *Pass Appreciation to Family*

A donor gives property to a lead trust and that property plus growth passes to his or her family with no additional tax.

### *Gift or Estate Tax Deduction*

A donor receives a current federal gift or estate tax deduction for the present value of the payments that will go to charity.

## *The Details*

A donor transfers cash or property to the CLT. Unlike a charitable remainder trust (CRT), a CLT is a taxable trust. Each year the CLT will report its income and then take a deduction for the amount that it distributes to charity, any excess is subject to tax.

### *Duration*

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

### *Annuity vs. Unitrust Payout*

Each year, a CLT pays either a fixed annuity amount or a percentage unitrust amount to charity.

### *Lead Trust Types*

A family CLT receives property and usually distributes it to a family member at the end of the term. A gift tax deduction is available to a donor who creates a family CLT.

A grantor CLT receives property that ultimately returns to the donor. The donor gets an income tax deduction when the trust is created. However, the donor has to report trust income on his or her personal income tax return each year.