



The Washington  
**ANIMAL  
RESCUE  
LEAGUE**

Rescue • Rehab • Rehome

## Major and Planned Gifts Fact Sheets

### Major and Planned Gifts Overview

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[warl.org/PlannedGiving](http://warl.org/PlannedGiving)

## Real Estate Gifts

A primary residence, vacation home, farm, or undeveloped lot often represents a major asset that may be used to make a substantial charitable gift. Particularly in the case of greatly appreciated property that is subject to capital gains tax, it may be wise to seek ways to minimize your tax liability as you pursue philanthropic objectives.

Irrevocable donations of real estate result in an income tax deduction based on the fair market value of the property, and they completely avoid any taxation of capital gains. (Somewhat different considerations apply if a piece of real estate is subject to a mortgage or other debt.) They also eliminate the need to pay ongoing real estate taxes, insurance, and maintenance expenses.

Donations of residential, commercial or undeveloped property are possible, although the Washington Animal Rescue League reserves the right to review the transaction to determine whether the property can be easily sold or whether other issues prohibiting a prompt sale will pose concerns for our organization. An independent appraisal is necessary and is arranged and paid for by the donor.

Donations of real estate can be used to fund certain charitable instruments – such as a charitable gift annuity or charitable remainder trust – that will make lifetime payments to you or other people. Capital gains will not be fully eliminated but they can be reduced significantly, with the portion that remains taxable typically being spread over many years.

You can even donate a percentage of a piece of property so that both you and the Washington Animal Rescue League can benefit from a transaction such as a sale or the receipt of rent on commercial property.

Here are some of the many ways you can donate real estate to charity:

### Outright Current Gift

You can deed the property to the Washington Animal Rescue League while you are alive and obtain a charitable deduction for the fair market value, regardless of what you initially paid for the property. The Washington Animal Rescue League will then immediately sell the property and use the proceeds to fund our programs and endowment.

Example: Lorraine, age 75, and her late husband Frank purchased a vacation home in 1965 for only \$40,000; the mortgage was paid long ago. Now, this home's value has increased ten-fold to an appraised amount of \$400,000. Since Lorraine lives in her primary residence and is unable to travel easily to this vacation home, she deeds the

property to the Washington Animal Rescue League, which promptly sells it. Lorraine is able to take the \$400,000 tax deduction, which can be used up to 30 percent of her adjusted gross income, with any unused portion eligible to be carried over into the following year as many as five times (subject to the same 30-percent limit each year). She also avoids paying tax on any of the capital gains.

### **Life Income Gift**

If Lorraine wanted to receive cash flow from her donation of the property, she could contribute it for a charitable gift annuity. The Washington Animal Rescue League would pay her a fixed amount of money each year for life, and a portion of each payment would be taxed favorably for many years. She would also receive a sizeable income tax deduction and avoid taxation on a good measure of the \$360,000 capital gains.

Another option would be for Lorraine to use the property to establish a charitable remainder trust. Upon creating the trust, she would receive an income tax deduction for part of the property's value. The trust would then sell the property. As a tax-exempt entity, the trust would not have to pay tax on any of the property's appreciation in value. This means all of the proceeds from the trust's sale of the property would become available for investment to produce income that would be drawn upon by the trust in making payments to Lorraine each year for life. Specifically, she would be paid a fixed percentage (which, by law, must be at least five percent) of the trust's principal as valued from year to year. When the trust ends, its assets would be distributed to the Washington Animal Rescue League.

### **Testamentary Gift**

You may also leave the property to the Washington Animal Rescue League through your will, reducing the value of your estate otherwise subject to estate tax. This is one way of giving real estate on a revocable basis, in the event your circumstances change in the future. If the Washington Animal Rescue League receives a testamentary gift of real estate, it will normally sell the property and use the proceeds according to your wishes. As an alternative, it is possible for your will to specify that the donation be used to fund a charitable gift annuity, thereby providing tax-advantaged payments for life to one or two people of your choice.

Example: Lorraine in the example above leaves her \$600,000 primary residence to the Washington Animal Rescue League in her will with the stipulation that the donation fund a charitable gift annuity for her son Allen. If Lorraine were to die before Allen reaches age 65, her will could defer the start of his annuity payments until he reaches that age.

Lorraine's estate would be eligible to receive a sizeable charitable deduction. Allen, in turn, would receive a fixed sum of money each year for life, with a portion of each payment being tax free for many years.

## Retained Life Estate

You also can deed a personal residence, vacation home, or farm to the Washington Animal Rescue League now while retaining the right to live there for the rest of your life. You thereby receive a large income tax deduction and simplify the administration of your estate upon death.

While you retain the right to live on your property, you continue to be responsible for all routine expenses – maintenance fees, insurance, property taxes, repairs, etc. If you later decide to vacate your property, you may rent all or part of the property to someone else or sell the property in cooperation with the Washington Animal Rescue League. You can even donate to the Washington Animal Rescue League the rest of your lifetime right to live on the property, thereby qualifying for an additional income tax deduction.

It is also possible to create a retained life estate for someone else – a spouse or a sibling, for example. You can do this during your lifetime or upon death through your will.

In addition, a retained life estate gift can be paired with another gift arrangement, such as a charitable gift annuity.

Although subject to approval by the Washington Animal Rescue League, a retained life estate donation represents a generous lifetime gift that can be appropriate for people in various circumstances. It is generally most appealing, however, to those age 65 or older who know they would eventually like the property in question to benefit The Washington Animal Rescue League.

Example: In lieu of leaving her \$600,000 primary residence to the Washington Animal Rescue League in her will, Lorraine in the examples above instead deeds it to us now but retains the ability to continue residing in it for the balance of her life if she so chooses. She receives a large income tax deduction from which she benefits currently and in the years to come. She has the security of being able to live in her home and the assurance that ultimately it will benefit the Washington Animal Rescue League.

## Charitable Bargain Sale

With this arrangement, you sell a piece of real estate to the Washington Animal Rescue League at a bargain price, i.e., something less than its appraised market value. This transaction allows you to take a tax deduction for the difference between the sales price and the market price. While you continue to recognize some capital gains, they will be lower than those incurred on a sale of the property at its full market value.

Example: Lorraine in the examples above sells her \$400,000 vacation home to the Washington Animal Rescue League for only \$250,000. She receives \$250,000 from us and a \$150,000 tax deduction, which if not used this year can be carried over for up to five more years. This will help to offset the \$225,000 worth of capital gains she recognizes. The remaining \$135,000 worth of capital gains escapes taxation completely.

## Join Our Legacy Society with Your Planned Gift

Your real estate gift to the Washington Animal Rescue League entitles you to membership in our legacy group: the 1914 Society. The League was founded in 1914—imagine that, almost a century of helping animals in need! Our hope is that you will let us know about your planned gift so we can thank and recognize you.

You will receive these privileges of membership in the 1914 Society:

- Washington Animal Rescue League's annual report,
- Updates on League news through our *Animal Report* newsletter,
- Invitations to special events, including our annual 1914 Society reception, and
- Recognition of your planned gift in the League's publications (unless you prefer to remain anonymous).

## Special Considerations

Please contact us about restricting your gift to the specific League program(s) of your choice.

Unrestricted contributions are preferred; however, we also welcome a conversation if funding a specific program is critical to you. We have many projects – both short-term and ongoing – at the Washington Animal Rescue League for which we seek support. We can tell you about all the available options today – and tomorrow, when a new generation of animals in need look to us for aid.

Gifts to the League may be made in memory of any deceased person(s) or pet(s) or in honor of any living person(s) or pet(s).

## Other Types of Planned Gifts that May Interest and Benefit You

If you are considering a real estate gift to benefit the Washington Animal Rescue League, be aware that other types of assets – such as cash or securities – may be suitable or preferable, taking into account your goals and needs.

Of course, including the Washington Animal Rescue League as a beneficiary of a financial, retirement, or insurance asset is also an act of considerable generosity that many people can afford even if a large lifetime gift is not realistic.

Our development staff can help you plan the right gift in light of your assets, income, family, and other estate or financial obligations. You may be able to be a greater philanthropist than you realize. Would you consider making the gift of a lifetime to the Washington Animal Rescue League if we can show you how?

## We Invite You to Contact Us

The Washington Animal Rescue League neither requests nor accepts government funding. We are a 501(c)(3) charity and our programs and endowment depend on your support. Our tax identification number is 53-0162440.

Direct your confidential inquiries and notifications about legacy gifts for the benefit of the Washington Animal Rescue League to:

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*Information also available at [warl.org/plannedgiving](http://warl.org/plannedgiving).*

**This information provided by the Washington Animal Rescue League is not financial, tax or legal advice.  
You should consult your advisors before making your charitable giving decisions.**