



American Endowment Foundation

Donating Real Estate Through A Donor Advised Fund

Those who had the foresight to buy an investment property 15 or 25 years ago would likely turn a tidy profit if they were to sell now. Similarly, vacation homes that were bought and paid for generations ago remain valuable assets for many families.

Many people enjoy supporting the charitable causes that are important to them. However, they often do it with direct cash payments on an after-tax basis. A better, tax-efficient alternative for many may be to leverage the value of an illiquid asset like real estate to support a good cause.

The owner of the real estate should consider the following questions:

- Have they been enjoying the benefits of [1031 exchanges](#)?
- Are they not currently using this property?
- Does the property fail to meet their investment objectives (a rental property with ongoing vacancy) or social objectives (a family vacation home that is no longer used as frequently)?
- Would a large capital gains tax be due if they sold this property?

If the answer is “yes” to any combination of these questions, the property may be a good candidate for gifting.

Donating a Property through a Donor Advised Fund

Donor advised funds (DAF) are charitable giving vehicles that are established by a sponsoring public charity, which make grants to other charitable organizations based upon recommendations from the donor. By donating appreciated real estate to a donor advised fund, the owner can earn generous tax benefits, support their favorite causes, and free up time for other pursuits.

American Endowment Foundation (AEF) is a public charity that enables donors to create a donor advised fund. AEF administers the fund on behalf of the donor. The donor can then recommend grants to qualified nonprofit organizations on their own timetable. The donor’s financial advisor can remain involved in managing the investment dollars that reside in the DAF account.

How It Works

After a donor establishes a donor advised fund with AEF, the donor irrevocably transfers title of the debt-free property to the fund. The donor may be eligible for an immediate federal tax deduction equal to the Fair Market Value (FMV) of the property, up to 30% of the adjusted gross income (AGI). If the FMV of the donation is greater than 30% of AGI, the excess can be carried forward for five years. This compares very favorably to donations made to a private foundation, which are generally deductible at cost basis. After title to the property has been transferred to the fund, AEF will work with the donor and their financial advisor to sell the property. Once a sale has been completed, the cash proceeds will be available for the donor to donate through their DAF.

By choosing this device, the donor utilizes a tax-smart tool to support the good causes important to them and implement donations on a timetable that fits their schedule and interests.

