

The Charitable Remainder Trust

A charitable remainder trust (CRT) 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 or asset that produces little or no income into a productive asset without paying capital gains tax on the sale.

A Solution

A donor contributes the appreciated property or asset 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 Capital Gains Tax

The trust sells assets tax-free.

Increased Income

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

Charitable Tax Deduction

The donor receives a 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.

Payout Flexibility

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. A unitrust offers flexible payout options.

Taxation of Payouts

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

Savings

A CRT can actually save you money. Part of the CRT income the donor receives (which is taxable as income), as well as the tax savings from the original deduction, can be used to buy life insurance on the donor to fund a “wealth replacement trust.” That way the donor’s children’s future inheritance will not be reduced, despite the charitable donation. Plus, a CRT avoids estate taxes.

If you would like information on how a charitable remainder trust could benefit you, your family, and Ohio Univeristy, please contact Kelli Bell at (740) 597-1819 or bellk@ohio.edu.