Sale and Unitrust

Create Profit from Unprofitable Property

Community Environmental Council

Bold Climate Action
Acción Climática Audaz

If you have investment property that has grown in value but is not producing needed income, do not let the hassle of a sale or capital gains taxes prevent you from achieving your goals. You can use your property to generate income while avoiding taxes.

What are Your Property Concerns?

- Has your property grown in value but you need income?
- Is the prospect of a high capital gains tax bill preventing you from selling?
- Do you wish you could stop paying property taxes and insuring, managing and maintaining your property?

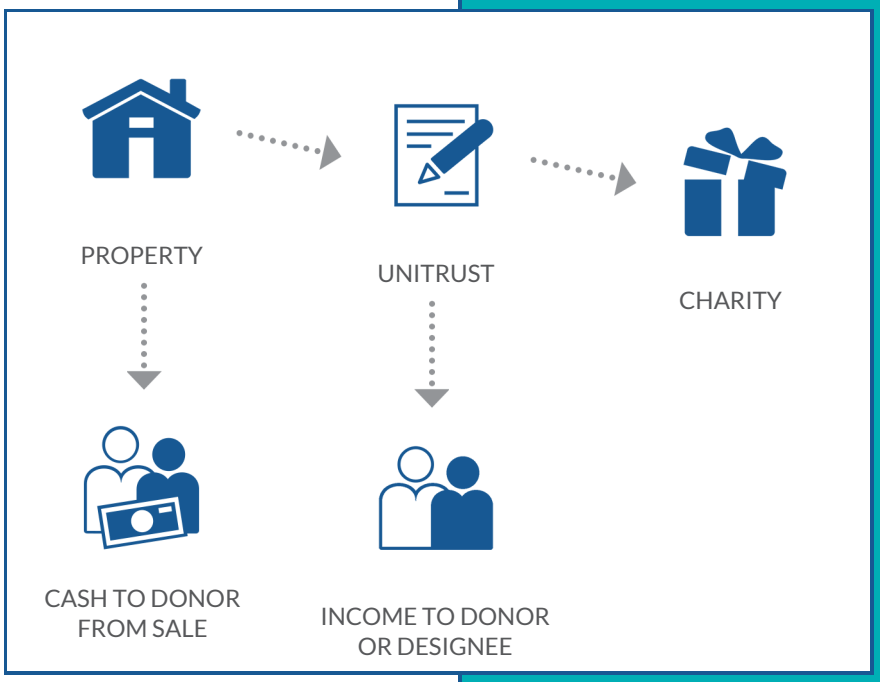
Do not let concerns about capital gains taxes prevent you from doing what you want with your property.

The Benefits of a Sale and Unitrust

If you are holding on to your property to avoid taxes, there is another option to consider. It is called a sale and unitrust. A sale and unitrust uses a charitable trust. By transferring a portion of your property to the trust, you can avoid paying capital gains tax on the sale of the property inside the trust. The trust will pay you income for life or a term of years and, because the trust also benefits charity, you will receive a charitable income tax deduction.

How a Sale and Unitrust Works

- You establish a charitable remainder unitrust.
- You transfer a portion of your property to the unitrust while retaining ownership of the other portion.
- You and the unitrust proceed to jointly sell the property. You receive cash from the sale and the rest of the sales proceeds are paid to the unitrust.
- You will not have to pay capital gains tax on the part of the property transferred to the trust.
- You receive a charitable income tax deduction to offset the tax from the cash proceeds that you receive from the sale.
- Once the property sells, the trust provides income to you.



This plan provides numerous advantages

- You will not pay capital gains tax on property transferred to the trust.
- The trust can invest strategically to further limit taxes on the income you receive.
- You will receive an income tax deduction for your gift of the trust remainder.

There are ways to convert your property to cash or an income stream without paying too much in capital gains taxes - no matter how much your property has appreciated.

You maintain control

With this type of plan, you have the ability to control who benefits from the trust assets and how.

- You set the payment rate and schedule, based on your needs.
- You can direct payments to you, you and your spouse or to your family.
- The remainder of the trust goes to further our mission.

Definitions

Capital Gains Tax
A tax due when you sell a capital asset. The tax is based on the difference between the current value of an asset and your cost basis (often what you paid to acquire the asset).

Charitable Remainder Unitrust
A tax-exempt, irrevocable trust that is funded by a charitable donation and which pays income to individual beneficiaries for life or a set number of years, after which the remaining trust assets are transferred to one or more designated charities.

May We Help You?

If you have any questions about a sale and unitrust, please contact us. We would be delighted to talk with you and answer any questions that you have regarding how you can sell your property and receive tax and income benefits.

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