



IS AN INCOME TAX REDUCTION AVAILABLE FOR IMPLEMENTING A CHARITABLE REMAINDER UNITRUST?

Your income tax deduction for funding a CRUT is limited to the present value of the charity's right to receive the assets remaining in the trust at your death. If you fund the CRUT with assets that, if sold by you, would generate a long-term capital gain, your income tax deduction generally will be calculated using the fair market value of the appreciated assets. Nevertheless, you will not be required to recognize any gain when you fund the trust, either for regular income tax or for AMT purposes. If your CRUT will benefit a private foundation, then your deduction will be calculated using your basis in the assets contributed to the CRUT unless you fund the CRUT with "qualified appreciated stock" (basically, unrestricted publicly traded securities). There are "percentage limitation" rules that limit how much of your adjusted gross income can be sheltered from income tax in any year with a charitable deduction. Excess deductions can be carried forward for up to five years. It is important to work with your accountant to confirm the actual tax benefits that can be achieved by funding a CRUT with a particular asset.

The value of the charitable remainder interest in the CRUT must be at least 10% of the value of the assets contributed to the trust. The value of the charitable interest is a function of (i) the length of time that payments will be made to you; (ii) the percentage of the trust assets that will be distributed to you each year, and the frequency with which payments will be made during the year (monthly, quarterly, semi-annually, or annually); (iii) the fair market value of the property being contributed to the trust at the time of the contribution; and (iv) the current IRS actuarial tables and interest rates used to calculate future values.