



WHAT ARE THE TAX IMPLICATIONS OF CREATING THE CRUT?

If you and/or your spouse are the beneficiaries of the CRUT, the objective is to diversify highly appreciated assets in a tax-efficient manner and to secure an income tax deduction for funding the trust. Your retained interest in the trust is not a taxable gift. If your spouse has an interest in the trust, then gift and estate tax deductions will be allowed for your spouse's interest as long as your spouse, or you and your spouse, are the only non-charitable beneficiaries and your spouse is a U.S. citizen. Gift and estate tax deductions also will be allowed for the charitable remainder interest in the trust.

If someone other than you or your spouse is the beneficiary of the CRUT, the objective will be to benefit that individual with a stream of payments over the individual's life. The charitable remainder interest in the trust will reduce your taxable gift to the beneficiary of the CRUT, but you will use a portion of your gift tax exemption and/or will pay gift tax on that gift. When you use a CRUT to make a taxable gift, it is important to structure the trust in a manner that will avoid having it included in your taxable estate should you predecease the beneficiary.