



WHAT TYPE OF ASSETS SHOULD BE USED TO FUND THE CRUT?

Funding a CRUT with appreciated property generally produces the greatest income tax benefit for the donor. A donor does not recognize capital gain, for regular income tax, AMT or net investment income tax purposes, when he or she funds a CRUT with long-term capital gain property (appreciated property that, if sold by the donor, would have produced a long-term capital gain). Since the CRUT is a tax-exempt trust, the trustee can sell the appreciated property without incurring any tax liability and re-invest the entire proceeds. The beneficiary of the CRUT will be taxed on the capital gain from the trust's sale only when and to the extent that such gain is received by the beneficiary as part of a unitrust payment. This deferral, and possibly avoidance, of tax on the capital gain makes it advantageous for income tax purposes to fund a CRUT with highly appreciated long-term capital gain property during life.