THE WILD ANIMAL Sanctuary

Tax Benefits of

[Giving Real Estate]

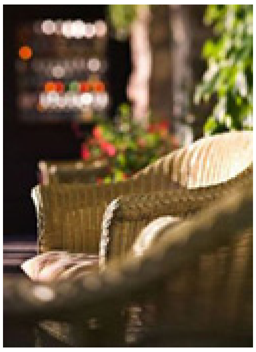
If you have owned your home or other real estate for a long time, there is no doubt it has increased in value. What happens if you sell the property?

First, the sale is subject to capital gains tax on the property's appreciation. If the property has been your main home for at least two of the past five years, you can exclude up to $250,000 of gain ($500,000 for married couples). This opportunity to avoid capital gains tax does not apply, however, if the property is a vacation home, land or any real estate other than your primary residence. Plus, there is the cost, time and effort involved in marketing and selling real estate.

Before you decide to sell, consider a new option. If you would like to help fulfill our mission, your property can open the door to a unique giving opportunity: Donate the property to us, either now or whenever you no longer need it. You can give the property outright, place it in trust, retain the use of it for life or give it by will. All of these methods will enable you to enjoy personal financial benefits while supporting our work.

Let's look at the various federal rules used to figure your tax savings and how you can benefit when you apply them to certain kinds of gifts.

Tax Benefits of an Outright Gift



When you make an outright gift of real property held for more than a year, you obtain an income tax charitable deduction equal to the property's full fair market value. This deduction lets you reduce the cost of making the gift and frees cash that otherwise would have been used to pay taxes.

By donating the property to The Wild Animal Sanctuary, you also avoid capital gains tax on its appreciation. Furthermore, the transfer is not subject to the gift tax, and the gift reduces your taxable estate.

Example: Mary gives us a vacation cottage she no longer uses. It originally cost $50,000 but is now worth $150,000. She gets a $150,000 charitable deduction, which represents a tax savings of $42,000 in her 28 percent tax bracket, and she completely avoids tax on the $100,000 of appreciation. Now she no longer has to maintain the cottage, and the property will not be taxable in her estate.

Your deduction for a gift of appreciated real estate in any year is generally limited to 30 percent of your adjusted gross income (AGI), with a five-year carryover of the unused deduction.

Give Your Home, But Enjoy Life Use

Let's assume you like the tax advantages a charitable gift of real estate would offer, but you want to continue living in your personal residence for your lifetime. You would like to retain the right to rent your house or make improvements. You may also want a survivor (perhaps your spouse) to enjoy life occupancy. But, ultimately, you would like The Wild Animal Sanctuary to receive the property.

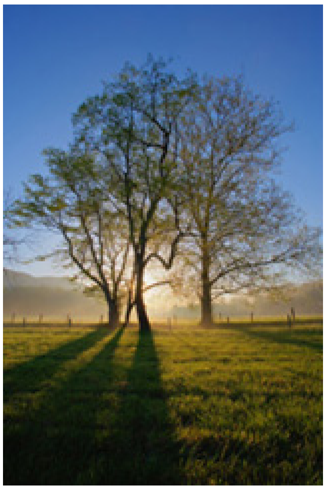
By deeding your home to us now, subject to all these rights, you can still obtain valuable tax savings. This arrangement is called a retained life estate. Even though we would not actually take possession of the residence until after the lifetimes of the tenants you have named, you receive an immediate income tax charitable deduction because the gift cannot be revoked. The amount of the deduction depends on the value of the property and your age (and the age of any other person given lifetime use of the property).

Example: Robert, aged 70, gives us the remainder interest in his home, which is currently worth $200,000. He and his wife, aged 69, retain a life estate for their lifetime. After both have passed away, we receive the home. Robert is eligible for an income tax deduction of $77,916* in the year he establishes the life estate. Plus, this gift removes the full $200,000 value from the couple's federal estate.

With this kind of gift, you retain the rights and responsibilities of ownership (such as maintenance, taxes, improvements and insurance)--other than disposing of the property after your death. You may even decide to move out temporarily or permanently. Should you rent the home, all of the rent belongs to you.

You can make a retained life estate arrangement with any personal residence, including a vacation home, a farm, a condominium or stock in a cooperative housing corporation (if it is used by you). A farm may include acreage with or without a house.

Obtain a Life Income From Your Gift



Instead of making an outright gift of real property or establishing a retained life estate, you can use unmortgaged property to fund a qualified charitable remainder trust. Once the property has been transferred to the trust, the trustee can sell it and invest the proceeds in income-producing securities, which become the source for lifetime income payments to you and any other recipient you name. When the trust terminates, we receive the remainder. This strategy avoids estate taxes when spouses are the only income beneficiaries.

You can benefit from a substantial current income tax deduction. The amount of the deduction is determined by the age of the income beneficiaries when the trust is created, the value of the trust assets, and the annual percentage or amount to be paid to the income beneficiaries. And when you transfer appreciated property, you will not pay tax on the capital gain.

Example: Sam and Mary, both aged 75, establish a charitable remainder trust with real property worth $250,000. The trustee sells the land, invests the proceeds, and pays Sam and Mary 5 percent of the trust's value each year. The first year they will receive $12,500 (5 percent of $250,000). Each year thereafter they will receive 5 percent of the trust's value whether it increases or decreases. They are eligible for an immediate income tax deduction of $124,350; ** plus, the home's value avoids estate taxes.

Giving Real Estate Through Your Will

If making an irrevocable lifetime gift of the property through one of the options we have discussed is not to your liking, consider giving it to us in your will. Because your will is revocable, you will not be able to take an income tax deduction--but the property will not be taxed as part of your estate.

Through your will, you may also give another person life use before unrestricted ownership passes to us. Or you can bequeath full title to an individual, if that person survives you, with The Wild Animal Sanctuary as the contingent recipient.

If you do not need to make a new will now for any other reason, ask your attorney to draw up a brief codicil for this purpose.

A Summary of the Benefits

A charitable gift of real estate is advantageous for many reasons.
1. An outright gift or a remainder interest results in valuable income and estate tax deductions, and tax on the capital gain can be avoided.
2. A gift in your will ensures that the value of the property will qualify for a charitable deduction for estate tax purposes.
3. Giving us outright use of the property now will free you from the responsibilities and costs of looking after it.

Find Out More

When you give your home or other real estate, you create a tangible and enduring testimonial of your interest in our goals. Your personal satisfaction is complemented by significant tax benefits.

You may have questions about appraisals, tax savings and other details. You will also want to know which gift arrangement is best for you. We would be happy to assist your attorney and other advisors in designing the most suitable plan for you. Please call us anytime.

*based on a 3.4 percent charitable midterm federal rate
**based on quarterly payments from a unitrust and a 3.4 percent charitable midterm federal rate

The Wild Animal Sanctuary

Pat Craig
Executive Director
Phone: 303-536-0118
E-mail: pat@wildanimalsanctuary.org

1946 WCR 53
Keenesburg, CO 80643
Web site: http://www.wildanimalsanctuary.org