

Will your favorite charity accept your donation?

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If your estate plan includes charitable donations, be sure to discuss any planned gifts with the intended recipients before you finalize your plan. This is particularly important for donations that place restrictions on the charity's use of the gift, as well as donations of real estate or other illiquid assets.

Why a charity may reject your gift

Some charities have policies of rejecting gifts that come with strings attached — they accept only unrestricted gifts. In addition, many charities are reluctant to accept gifts of real estate or other noncash assets that may expose them to liability or require an investment to convert the assets into operating funds.

If a charity rejects your gift, the property will end up back in your estate and will go to any contingent or residual beneficiaries. If these beneficiaries aren't other charities, rejection of the gift may create estate tax liability.

Reconsider donating real estate

Real estate is particularly risky for nonprofits. The charity may be exposed to liability for environmental issues, zoning and building code violations, and other risks. It may require a cash investment to pay the mortgage or maintain the property. Furthermore, certain types of property — such as rental properties — can generate “debt-financed income,” which may cause the nonprofit to be subject to unrelated business income tax.

Even if a charity accepts gifts of real estate, it may place strict conditions on such gifts. For example, to minimize their liability, some charities require donors to place real estate in a limited liability company ("LLC") and donate LLC interests. Another option is to donate property to a supporting organization that disposes of real estate on a charity's behalf.

Call first — then revise your plan

If you'd like to make charitable gifts through your estate plan, contact the organization to ensure it would be willing to accept your donation. If the answer is yes, we can help make the proper revisions to your plan.

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