National Philanthropic Trust

Your partner in giving

Real Estate Contribution Guidelines

Donors may contribute a wide range of assets to their NPT donor-advised fund (DAF). Real estate is a uniquely complex asset with special considerations. Please review the considerations and process outlined herein if you are considering funding your DAF with a gift of real estate.

Initial Considerations

Before moving forward with a gift of real estate to your DAF, consider whether the property meets the following threshold criteria.

- The property has a minimum fair market value of $2 million.
- The property is debt-free.
- The property is not under contract for sale.
- Residential real estate must be unoccupied when transferred to NPT and remain unoccupied during the entirety of NPT's ownership.
- The property is ready to be sold as-is. NPT will not hold or renovate real estate.

Step One: Due Diligence

Prior to accepting an interest in real estate that meets the threshold criteria, NPT must conduct thorough due diligence on the property to understand the costs, obligations, responsibilities, possible liabilities, and other information pertaining to ownership of the property. This process takes an average of 3 to 6 months, but may take longer depending on the issues involved. The fees and costs incurred by NPT to complete this process will be assessed to your DAF. Before NPT can begin the process, the donor must complete the following steps.

- Provide NPT with the Real Estate Disclosure form completed in its entirety and signed.
- Provide NPT with the documentation requested on the Real Estate Due Diligence Checklist.
- Open a DAF and make an initial contribution of $25,000 (in cash, marketable securities, or cryptocurrency). This good faith contribution provides initial liquidity that allows NPT to begin incurring due diligence costs.

Step Two: Transfer

Following successful completion of due diligence, NPT and the donor will work with local legal counsel and a local title company to transfer the property from the donor to an LLC that is wholly owned by NPT (the "NPT LLC"). In connection with the closing, the donor should expect the following.

- **Title Insurance.** The donor will be required to purchase an Owner's Policy of Title Insurance with the NPT LLC as the named insured. A title commitment should be provided prior to closing, with the policy purchased and issued at closing.
  - *Note: Purchase of the title insurance policy is an out-of-pocket cost for the donor.*
- **Seller's Disclosure Form.** If not provided during the due diligence process, the donor must provide a completed and signed copy of the standard seller's real estate disclosure form for the state where the property is located.

- **Illiquid Asset Donation Agreement.** The donor and NPT will enter into an Illiquid Asset Donation Agreement that covers the terms of the gift, including the donor's ongoing obligations to NPT with respect to the property.

- **Deed.** The donor must transfer the property to the NPT LLC via a General Warranty Deed.

- **Transfer Tax Forms and Payments.** All applicable Real Estate Transfer forms will be completed and filed. Any real estate taxes assessed on the transfer of the property from the donor to the NPT LLC must be paid by the donor.

    - *Note: Some states or localities may assess transfer or other taxes even on gifts of real estate to charity. Payment of these taxes is an out-of-pocket cost for the donor.*

- **Carrying Costs.** The donor will be required to make an additional contribution to the DAF (of cash, marketable securities, and/or cryptocurrency) to cover at least 6 months of carrying costs for the property (as determined during due diligence and including the cost of insurance coverage for the property). Additional contributions may be required if unexpected costs arise or the property is held for longer than anticipated. All recurring bills that must be maintained (electricity, water, etc.) must be transferred into the name of the NPT LLC.

- **Appraisal.** The IRS requires that the donor obtain a qualified appraisal of the contributed real estate to substantiate the value claimed for tax purposes. The appraisal must provide a value for the real estate as of the date of the contribution and may be obtained any time up until the donor files their annual tax return, though no earlier than 60 days prior to the gift. If a donor fails to obtain a qualified appraisal, the IRS may disallow the tax deduction.

    - *Note: Obtaining the appraisal is an out-of-pocket cost for the donor.*

Step Three: Liquidation

NPT will seek to sell the property as soon as practicable following the contribution.

- NPT will enter into a listing agreement with its chosen real estate broker.

    - The donor may recommend a broker, but the final decision will be in NPT's discretion.

    - No portion of the broker's commission or other fees can be paid to or benefit a disqualified person as to the DAF, including, without limitation, a person closely related to the donor or an entity controlled by the donor.

    - The broker will be required to accept NPT's standard rider to its listing agreement.

- NPT will sell the property in an arms-length transaction to a person who is unrelated to the donor or to an entity that has no connection to the donor.

Get Started

Gifts of real estate require special attention but can be excellent sources of philanthropic capital. NPT can help donors navigate this complex giving strategy. To learn more about how NPT can assist with charitable contributions of real estate, contact us at npt@nptrust.org or (888) 878-7900. We look forward to helping you fulfill your philanthropic goals.

National Philanthropic Trust does not provide legal or tax advice. The information provided in this document does not, and is not intended to, constitute legal or tax advice; instead, all information contained herein is for general informational and educational purposes only. Donors should contact their attorney or professional tax advisors to obtain advice with respect to their individual tax circumstances or any other legal or tax matter.