## REAL ESTATE EXPENSES & APPRAISALS

A typical real estate transaction will involve various expenses. Some are paid directly by the donor. Others will be paid out of the proceeds of the sale of the real estate when it is sold by InFaith Community Foundation.

**Expenses Paid By Donor**

**Appraisal:**
A donor must satisfy certain appraisal requirements of the Internal Revenue Service as a condition of taking an income tax charitable deduction for any gift of real estate valued over $5,000. A "qualified" appraisal must be obtained no earlier than 60 days before the property is conveyed to the Foundation. The cost of the appraisal is paid directly by the donor to the appraiser. When the donor files her income tax return, she must also file Form 8283. Section B (the Appraisal Summary) must be signed by the Appraiser and then by InFaith Community Foundation.

In selecting a qualified appraiser, the donor should be sure that the appraiser understands that he will be expected to prepare a written appraisal that meets at least the minimum IRS standards and to sign Section B of Form 8283 *for no additional fee*.

For your convenience, we will supply you with copies of Form 8283 and IRS Publication 561 "Determining the Value of Donated Property". Publication 561 describes what the IRS regards to be a "qualified appraisal" and what the Appraisal Summary (Section B of Form 8283) must contain. *Please note that no part of the appraisal fee can be based on a percentage of the real estate's appraised value*.

The appraiser will need to supply an extra copy of the appraisal for the Foundation.

**Correction of Title Problems:**
Sometimes title problems are uncovered before or after the title is transferred by the donor. If the problem is uncovered prior to transfer, the donor and Foundation will decide jointly whether or not to proceed. If the transfer goes forward, or if the title problem is discovered after transfer, the cost of correcting any title defects will be paid either by the donor directly or from the proceeds of the sale, to the extent possible.

**Carrying Costs:**
During the period in which the property is marketed to sell, there will likely be carrying costs such as property tax, utilities, insurance and maintenance costs that will be incurred. If the property is placed in a charitable remainder unitrust, the donor might need to contribute cash to the trust to pay for these expenses as they are incurred. The Foundation will provide documentation substantiating these gifts for the donor's tax purposes.


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**Expenses Paid out of Sale Proceeds**

**State Transfer Fees:**
Many states impose a transfer fee or deed tax when the donor gives real estate to the Foundation.

**Real estate taxes/special assessments:**
Some states require that any delinquent real estate taxes and special assessments must be paid as a condition to recording the deed. The Foundation may require the donor to contribute additional money to the trust in order to pay taxes and assessments during the period between the gift and sale.

**Transactional costs relating to transfer and sale:**
1. Title review, title insurance
2. Broker fees and commissions
3. State deed tax or transfer fee on the sale to buyer
4. Recording fees, escrow and closing fees
5. Maintenance, management and operating expenses, including property insurance
6. Any other costs and expenses typically incurred as a part of a real estate sale

**Exceptional expenses:**
Typically, the Foundation does not accept real estate that presents potential environmental risks and liabilities due to its former or current use. If such property is considered, it is likely that an environmental inspection will be required (usually called a "Phase I"). The donor pays the cost of that inspection and report in those cases.

*penalties under the Internal Revenue Code (ii) promoting, marking and recommending to another party any transaction or matter addressed herein.*