



GIANT, IMPORTANT DISCLAIMER: WE AREN'T GIVING LEGAL, TAX OR FINANCIAL ADVICE. PLEASE SEEK YOUR OWN COUNSEL FOR ANY DONATIONS. MANY OF THESE QUESTIONS ARE OPEN TO SOME INTERPRETATION, ARE GENERAL IN NATURE OR ARE UNIQUE TO A PARTICULAR JURISDICTION. ASSUME ALL ANSWERS ARE WRONG UNTIL YOU/YOUR DONOR CONFIRMS WITH HER/HIS ADVISOR.

**Q & A from “The Final Stretch: Successfully Closing CRTs in 2024”
<October, 2024>**

What is the normal lower threshold of gift to make a CRT worth it? I've heard anything from \$250k to \$1MM as an entry level gift that will make it worthwhile. Thanks.	Paul may touch on this, but in my view \$250k is the minimum to fund with cash or marketable securities. Maybe \$500k+ for illiquid assets.
Wasn't it 1998?	Yes, the option for a FLIP Charitable Remainder Unitrust (CRUT) was officially sanctioned by the IRS in December 1998. This regulatory change allowed for a more adaptive approach to charitable giving and estate planning, particularly in managing complex, illiquid assets.
Do you have a list of both acceptable FLIP provisions and unacceptable provisions?	Yes, permissible events can range from the sale of unmarketable assets to personal milestones like marriage or the birth of a child, as specified in Treasury Regulation Sec. 1.664-3(a)(1)(i)(d) and (e). Acceptable FLIP Provisions: <ol style="list-style-type: none">1. The sale of an unmarketable asset (most common)2. A date-specific event3. The birth of any person4. The death of any person5. The marriage of any person6. The divorce of any person7. An event outside the control of the trustees or any other persons. Unacceptable is anything not in #s 1-7 above.
Sorry to be elementary, but please explain the big picture financial difference (e.g. tax liability) between employing a charitable trust vehicle vs a regular trust accomplishing the same life income purposes.	When you successfully establish a “qualified CRT” the grantor has more income tax advantages. For example, a grantor/donor can transfer a highly-appreciated asset to a qualified CRT, and since the CRT is tax-exempt the trust will not pay taxes on the realization of the income from the sale of the asset. When a noncharitable trust sells an



(CONTINUED)	Investment, either the trust pays taxes on the sale of that asset or passes the tax along to the income beneficiary.
Did you say that a CRUT cannot be a shareholder of a Sub S corp?	Correct, would blow the S-election. Charitable remainder trusts, including CRUTs, are not among the permissible shareholders for S corporations as per IRC § 1361(e)(1)(A).
A nonqualified trust would also be immediately subject to all tax not currently distributed to a beneficiary, correct?	Yes, excellent point! Usually less of a concern with illiquid assets (rent, distributions, etc. are often small relative to asset value), but can be very relevant once we're looking at marketable securities held inside the CRUT.
Can a DAF be the charitable beneficiary of a testamentary CRT?	Yes, a DAF certainly can. It could be attractive to a donor-example who wants to leave wealth to a CRT for income to an adult child and then when the CRT terminates the remainder funds a DAF, so that the 3 rd generation (e.g., grandchild can make grants from the DAF). Some important planning would be needed but it's feasible.
How can we access Trustee Docs?	Membership to the Gift Planners Workstation. More information about the Workstation can be found at www.estategiftplanning.com
What is the minimum recommended transaction amount that you would work with (for a CRT, CGA, ...)	You should be able to check with Jennifer Lehman at The American College - we have a great one locally in Jacksonville through our community foundation. Our
Are there noncash assets a CRT cannot accept that public charities can?	Any UBIT assets are trickier for a CRT (as Paul is discussing now), and S-corporations are also a nonstarter! Furthermore, most organizations that are accustomed to serving as trustee have parameters for the types of assets they can accept. In fact many charities don't want to serve as trustee if the funding assets even require a "flip" component (e.g.,. real estate, closely held business).



<p>So if a donor chooses to terminate a CRT early in order for the charity to get the remainder early, the donor needs another qualified appraisal in order to take the tax deduction for the early termination?</p>	<p>Yes. The lifetime income interest is the asset that needs to be valued. Same is true for CGAs, incidentally. Should an income beneficiary assign her entire income interest in a CRT to a remainder beneficiary, the transaction is deemed a gift of a capital asset to the charity. Rev. Rul. 72-243; PLR 7949035; PLR 200127023</p>
<p>Clarification: can you have multiple income beneficiaries on a CRT?</p>	<p>Yes, subject to practical limitations which make this somewhat rare (i.e. CRT must have 10% remainder for charity). Income to donor+spouse is easy, but donor+grandchildren, less so. The Code and regulations permit any person (even a person unrelated to the donor) and any entity to be named as a CRT's income beneficiary, assuming at least one income beneficiary is not a charitable organization (IRC §664(d)(1)(A) and Treas. Reg. §1.664-2(a)(3)(1) for annuity trusts; IRC §664(d)(2)(A) and Treas. Reg. §1.664-3(a)(3)(1) for unitrusts).</p>