

Charitable Remainder Trusts-CRTs

An important estate planning tool.



What IRS rules govern the CRT?

Section 664 of the Internal Revenue Code provides the primary governing rules for the CRT.

Who could benefit from a CRT?

Those with appreciated assets wanting to increase income, reduce their taxes and have charitable interests would most benefit from a CRT.

Can I have the income go to my children or other persons?

Yes, a CRT can provide income for a donor's life plus for a term of years (not to exceed 20 years) or children's lives, whichever is less. There may be some gift tax implications to this plan. The use of an Irrevocable Life Insurance Trust in conjunction with the CRT would serve the same inheritance purposes while keeping the asset out of the donor's estate.

Can I be my own trustee?

Yes, a donor can be his own trustee. It may be wise, however, for a donor to be a co-trustee with someone that has experience in the areas of a trustee's responsibilities such as investments, accounting and taxation.

How is the tax deduction calculated?

An IRS formula is used to determine the "future value of a present gift."

This formula takes into account the donor's age and the payout percentage chosen by the donor (which determines the income to be paid to the donor). This will show the future value to your charity in today's dollars. The deduction can be used in the year of the gift plus 5 years carry forward. If appreciated assets are used, the donor may deduct up to 30% of adjusted gross income. If cash is used, the donor may deduct up to 50% of his adjusted gross income.

What about using other assets besides cash and stocks to fund a CRT?

Most any asset, without encumbrance, can be transferred to the CRT. Caution is in order and assistance is usually needed in transferring such assets as real estate, closely held stock, annuities and other assets because of special valuation rules, appraisals, reporting forms and tax implications.

Can more than one charity be named as a beneficiary of a CRT?

Yes, multiple charities can be named as beneficiary of a CRT provided they are qualified with the IRS. This is possible even after you establish the trust, if you reserve the right to do so in the document.

**For a FREE CRT Proposal
click here: [PROPOSAL](#)**

Are there ongoing costs with a CRT?

Generally there is an annual filing of a tax return and other tax forms. There is a need for annual valuations for any type of unitrust and charitable deduction calculations must be generated. Also, accurate records are imperative concerning the complex four-tier payout system for your trust. YTA* provides this important service at a very reasonable annual fee

How am I taxed on the income?

The type of income the trust earns is paid out to you in a specific order:

1. Ordinary income
2. Capital gains income
3. Tax free income
4. Return of principal

The most common type of payout is taxed at ordinary income rates.

Are contributions to the CRT revocable or irrevocable?

The assets are irrevocably transferred to the CRT. The IRS will allow the avoidance of capital gains tax and a current income tax deduction only if there is an irrevocable guarantee that some time in the future a gift will be received by a qualified charity.

When will I receive income from the trust?

Income payout begins almost immediately. The payment to the donor can be monthly, quarterly, semi-annually or annually.

* Yellowstone Trust Administration

Go to web site: www.yfss.com

What is the minimum payment that I can take from my trust (in order for the principal to compound)?

The IRS requires that the income beneficiary take no less than 5% of the annual fair market value of the trust. If the donor has a net income with makeup trust ([see types of trusts](#)) the actual income received may be less than 5% if the assets are invested in growth assets.

What types of Trusts are there?

1. **CRAT** (Charitable Remainder Annuity Trust)
Fixed % Based on Initial Value
2. **SCRUT** (Straight Charitable Remainder Unitrust)
Fixed % Based on Yearly Value
Variable Payment
3. **NIWOM** (Net Income Without Makeup CRT)
Fixed % based on Yearly Value
or
Trust Income, Whichever is Smaller
4. **NIMCRUT** (Net Income With Makeup CRUT)
Fixed % Based on Yearly Value
or
Trust Income, Whichever is Smaller
plus
Excess Income to the Extent of Prior Year's Deficiencies
5. **FLIP Trust** (Starts as a NIMCRUT and flips to a straight trust after a triggering event).

Can I transfer part of a particular asset into the CRT?

Yes, the Charitable Remainder Unitrust is an "open box". You may choose to fund only a part of your appreciated assets into the trust. At a later time you may fund additional assets into the trust. This will add to your income and give a new charitable deduction.