




**COVID-19**

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**Coronavirus / COVID-19  
Response Team**


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**Philanthropy and  
COVID-19: A Primer on  
Charitable Remainder  
Trusts**

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## Today's Topics

- Charitable Remainder Trust Features
- CRATs and CRUTs
- Four Types of CRUTs
- Taxation of Unitrust Income
- FLIP CRUTs and Retirement Planning

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## Charitable Remainder Trusts

- Fixed or variable, lifetime or term of years, income stream for multiple income beneficiaries if desired
- Income tax deduction
- Bypass of upfront capital gains taxes
- Estate tax savings
- Multiple charitable remainder beneficiaries, if desired
- Choice of trustee

## Charitable Remainder Trusts

- Charitable Remainder Annuity Trusts (CRATs)
- Charitable Remainder Unitrusts (CRUTs)

## Charitable Remainder Trusts

### CRAT

- Fixed income stream based on the initial value of trust assets
- Minimum 5% payout/5% probability test
- No additional contributions

### CRUT

- Variable income stream based on annual valuation of trust assets
- Minimum 5% payout
- Additional contributions permitted

## Four Types of CRUTs

1. Standard Unitrust – payout is determined by multiplying selected percentage by annual trust value
2. NICRUT – payout of lesser of net income or stated unitrust percentage
3. NIMCRUT – payout of lesser of net income or stated unitrust percentage, if stated unitrust percentage is not paid out in any given year, deficits are “made up” in future years

## Four Types of CRUTs (Cont.)

4. FLIP – either a NICRUT or NIMCRUT until “triggering event,” FLIPs to a Standard CRUT the calendar year following the “triggering event” (typically used for real estate or TPP gifts)

## Taxation of Unitrust Income

### 4 Tier Distribution

- Ordinary Income
- Capital Gain
- Tax-free income
- Principal (Tax-Free)
  
- \* Income from asset retains its character

## Taxation of Unitrust Income

- Ordinary Income (37%)
- Qualified Dividends (15%/20%/23.8%)
- Capital Gain
- Short Term Gain (37%/40.8%)
- Tangible Personal Property (28%)
- Depreciation Gain (25%)
- Long Term Gain (15%/20%/23.8%)
- Tax-Free (0%)
- Return of Principal (0%)

## Unitrust Example 75 year old 5% Unitrust Payout

Property FMV \$100,000 Cost Basis \$50,000	Principal	Charity
Give asset, sell tax-free	Unitrust annual income of \$5,000 for first year	If trust earns 8%, pays 5%, then grows by 3%, \$157,666 remains for charity
Bypass \$50,000 gain, may save \$11,900 at the 23.8 % rate	Estimated income in 15.4 years \$96,111	Trust passes without probate
Income tax deduction of \$60,075, may save an individual in the 37% bracket \$22,228		Estate tax deduction for remainder interest to charity

## Unitrust Example 75 year old 7% Unitrust Payout

Property FMV \$100,000 Cost Basis \$50,000	Principal	Charity
Give asset, sell tax-free	Unitrust annual income of \$7,000 for first year	If trust earns 8%, pays 5%, then grows by 3%, \$116,561 remains for charity
Bypass \$50,000 gain, may save \$11,900 at the 23.8 % rate	Estimated income in 15.4 years \$115,929	Trust passes without probate
Income tax deduction of \$50,091 may save an individual in the 37% bracket \$18,534		Estate tax deduction for remainder interest to charity

## Use of FLIP Unitrust for Retirement

- Younger donors may choose to establish a FLIP Trust with a date certain for the “triggering event”
- Date certain would be set at projected date of retirement
- Initially structured as a NICRUT which flips to a Standard Unitrust after “triggering event”
- Trustee may invest for growth during working years

## Benefits of FLIP Unitrust for Retirement

- Early NICRUT structure pays the lesser of the net income or the stated unitrust percentage
- Limited income distributions and tax liability during working years
- Invest for growth and capital appreciation during working years
- Flip to standard unitrust at retirement provides Standard Unitrust payout percentage (minimum 5%)



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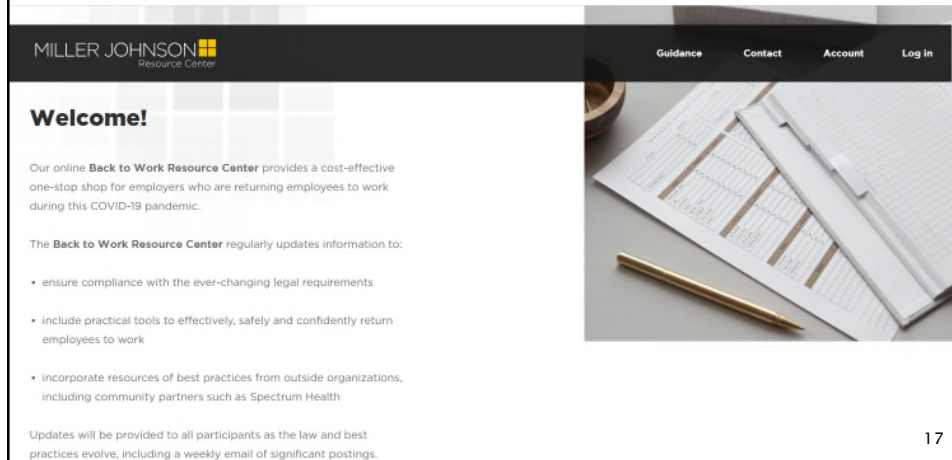
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## Miller Johnson Back to Work Resource Center

<https://resources.millerjohnson.com/>



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Resource Center

Guidance Contact Account Log in

### Welcome!

Our online **Back to Work Resource Center** provides a cost-effective one-stop shop for employers who are returning employees to work during this COVID-19 pandemic.

The **Back to Work Resource Center** regularly updates information to:

- ensure compliance with the ever-changing legal requirements
- include practical tools to effectively, safely and confidently return employees to work
- incorporate resources of best practices from outside organizations, including community partners such as Spectrum Health

Updates will be provided to all participants as the law and best practices evolve, including a weekly email of significant postings.

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