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CRTs – Moving from Discussion to Completion

Date: April 27, 2023

Time: 1:00 – 2:00 Eastern

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Agenda

- The CRT Discussion with your Donor
- The Creation of the Trust
- The Funding of the Trust
- Trust Calculations and Confirmations
- Ongoing Trust Requirements
- The CRT's Annual Tax Filing
- Q&A

The CRT Discussion with Your Donor

Three Key Questions Must Be Answered to Get Rolling:

1. Who will serve as trustee?
2. Who will manage the trust's investment?
3. Who will provide trust administration?

Also, what role will the charity play?

And who will handle the tax reporting requirements?



The CRT Discussion with Your Donor

As gift officer, you can't provide legal or tax advice, but you *can* provide donors:



- IRS sample CRT agreements (Rev. Procs. 2005-52 – 2005-59 (CRUTs) and 2003-53 – 2003-60 (CRATs))
 - Found in *PGM Anywhere* help and [irs.gov](https://www.irs.gov)
- CALCULATIONS in *PGM Anywhere!*
 - Subject to change – *specify when numbers are ESTIMATES*
- PROJECTIONS
 - Exercise caution with assumptions about investment returns and fees / expenses
 - *Important: where do you get that information??*

The CRT Discussion with Your Donor

A gift officer **cannot** provide a trust donor with the following:



- Cannot pay for property appraisal
- Cannot guarantee investment results
- Cannot predict when property will be sold
- *Also: cannot guarantee that property will be sold*

The CRT Discussion with Your Donor

- Additional concern for flip trusts funded with real estate:
 - Must have no existing purchase agreement (assignment of income rules)
 - Donor can be (should be?) initial trustee
 - If donor is first trustee, they will be responsible for issuing themselves a tax receipt
 - Date of gift is date when property is transferred into the trust
 - Value of gift is the appraised value
 - *Net proceeds will reflect costs and expenses of sale process*
 - Appraisal timing (appraisals can be revised after sale)



The Creation of the Trust



- Donor works with attorney
- Donor executes trust document by signing it
- Trustee signs trust document
- Important: Trust is established before assets are transferred into the trust!

The Funding of the Trust

Easy Trust Assets:

- Cash
 - Cash means check or wire transfer
- Securities
 - Marketable securities don't require appraisals
 - Rules for date and value of gift



The Funding of the Trust

Challenging gifts are assets that require appraisals, such as:

- Real Estate
- Art/Collectibles
- Partnership Interests
- Cryptocurrency

These assets are best managed through a flip CRT.

Unusual assets require specialized discussions with parties who have expertise.

- Forms 8282 and 8283



Calculations and Confirmations

Trustee

- Calculates deduction
- Sends tax receipt/acknowledgement

Administrator

- Obtains tax ID#
- Calculates 1st year prorated payment amount
- Sets up payment to beneficiaries

Investment Manager

- Sells funding assets
- Invests in diversified portfolio

Charity

- Stewards donor



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Calculations and Confirmations

Trustee

- **Manages sale of property**
- **Confirms flip date of trust**
- Calculates deduction
- Sends tax receipt/acknowledgement
- **Signs donor's IRS Form 8283**

Administrator

- **Calculates quarterly income payments**
- Sets up payments to beneficiaries

Investment Manager

- Invests in diversified portfolio

Charity

- Stewards donor



Ongoing Requirements

- Administrator revalues the trust annually (CRUTs)
- Trustee communicates new payment amounts to donor
- Administrator makes payments
- Investment manager monitors activity
- Investment manager makes changes as warranted
- Charity stewards donor



Unique Aspects of Flip CRUTs funded with Real Estate

- Flip triggering event is date that property is sold
- Investment manager purchases assets for a diversified and prudent portfolio
- Sale can occur anytime but trust converts to standard unitrust on January 1 of next calendar year
- Important: Trust remains net income trust for duration of current calendar year



Unique Aspects of Flip CRUTs funded with Real Estate

- Unitrust makeup can only occur before the trust conversion (while trust is still a net income CRUT)
- Trustee communicates details of critical changes to donor
- Charity stewards donor



- Administrator provides annual tax reporting information to tax accountant
- Tax accountant prepares annual tax returns
 - Federal and state
- Tax accountant mails K-1s to donor
- Trustee signs tax returns
- Tax accountant files tax returns
- Initial and final short years



Additional Training Opportunities



What to Use When: CGA vs. CRATs and CRUTs

Webinar on Thursday May 25th

PGM Anywhere and Charitable Remainder Trusts

On-line software training September 13th and 14th
(2 hours each day)



To ask a question click the
Q&A button at the bottom



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Still Have a Question?

Contact: Kara Morin
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