

Gifts of Income

Lead trusts are very appealing income and wealth transfer vehicles for donors with estates of several million dollars or more. The tax benefits are particularly appealing when the IRS floating interest rate is low.

Charitable Lead Trust

Gifts of income can produce significant income tax and estate planning benefits. Income gifts are made by placing assets in trust for a period of years, with a specified amount of income being paid to WRHS each year. At the end of the period, the trust can provide that the property will go to you or your family. The income from these “charitable lead trusts” may be either a guaranteed annuity or a fixed percentage of the value of the trust determined annually.

There are two types of lead trusts. In one type, you are treated as the owner of the trust and are taxed on the income from the trust. You then receive a tax deduction for the income paid to WRHS.

In the other type of trust, you are not treated as the owner of the trust. You are not taxed on the income and do not receive a charitable deduction for the amount to be paid to WRHS. Since you are not taxed on the income paid to WRHS, your income is lowered while meeting charitable objectives. This type of trust is used by donors who have current income in excess of living needs and wish to pass their property itself intact to their heirs.

The information provided is intended as a general guide. Tax Laws are changed frequently and you should contact your financial advisors about the tax consequences of any gift.