

The Stewardship Institute

Comparison Chart of Real Estate using Business Entities vs Private Foundation*		
	Business Entity	Private Foundation
Initial Business Entity creation cost	assume \$2,000 per entity assume 5 properties you need 5 different entities 5 entities X \$2,000 = \$10,000	One-time fee Does not matter how many properties are involved
Annual State FTB Fees	\$800 per year per entity \$800 X 5 entities = \$4,000/yr	\$0 exempt from FTB fees
Annual State Income Tax	\$ \$ You pay state income tax	\$0 exempt from all state taxes
State Sales Tax	\$ \$ You pay state sales tax on purchases to remodel & repair properties.	\$0 exempt from state sales tax
Annual Federal Income Tax	\$ \$ You owe federal income tax	\$0 exempt from federal income tax
Capital Gain Taxes	\$ \$ Capital Gains Tax	\$0 exempt from capital gains
1031 Exchanges	Can only use a 1031 exchange ONE time per year	1031 exchanges unnecessary – no tax issues
Federal Depreciation Recapture Tax	25 Percent 50 Percent in the “Go Zone”	Foundations are Tax Exempt
To Avoid Capital Gains	Charitable Remainder Trust Initial cost to create it and you lose all control of the assets. Must be inside a Limited Partnership to protect against law suit judgments.	Not an issue since a Foundation has no capital gains taxes. Benefit you retain full control over the properties / assets in the Foundation.
To Avoid Law Suit Judgment Taking Assets	You have NO law suit protection as a Sole Proprietor, General Partnership, Corporation (“C” or “S”) nor as an LLC. The ONLY entity outside the Foundation with any law suit protection is a Limited Partnership.	Any lawsuit can only get your Insurance policy settlement – can not sue for Foundation assets
To Avoid Probate	Living Trust and must be inside a Limited Partnership to protect assets against law suit judgments.	Not an issue probate does not apply since a Foundation is perpetual entity.

* This is not to be considered legal advice. Figures are approximate.

The Stewardship Institute

Question: How much can I lower my personal taxes by gifting to my foundation?

Answer: Check the green box below.

Single Filing Calculations

Taxable income (after subtracting allowances)	100,000
Percentage contribution to charity (max 30%)	30.00%
Withdrawal from IRA (ctrl+s to autocalc)	0.00
10% IRA early withdraw penalty	0.00
Income tax before contribution & withdrawal	21,978.25
Income tax after contribution & withdrawal	13,843.75
Net tax savings	8,187.00
Net tax effect (Tax savings - penalty)	8,134.50

over	pct	plus
0	0%	0.00
8,025	10%	802.50
8,025	15%	802.50
32,550	25%	4,481.25
78,850	28%	16,056.25
164,550	33%	40,052.25
357,700	35%	103,791.25

Married Filing Calculations

Taxable income (after subtracting allowances)	100,000
Percentage contribution to charity (max 30%)	30.00%
Withdrawal from IRA (ctrl+m to autocalc)	0.00
10% IRA early withdraw penalty	0.00
Income tax before contribution & withdrawal	17,687.50
Income tax after contribution & withdrawal	10,187.50
Net tax savings	7,500.00
Net tax effect (Tax savings - penalty)	7,500.00

over	pct	plus
0	0%	0.00
16,050	10%	1,605.00
16,050	15%	1,605.00
65,100	25%	8,962.50
131,450	28%	25,550.00
200,300	33%	44,820.00
357,700	35%	96,770.00