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The gift tax deduction is a deduction that a donor may declare on his or her federal gift tax return (Form 706) that reduces the amount of a taxable gift.

In the context of planned giving, a charitable lead trust earns a gift tax deduction for the donor that is equal to the value of the income stream the trust will pay to the charity during the trust term. For example, if a donor funds a charitable lead trust with \$1,000,000 and earns a \$600,000 gift tax deduction, the taxable gift will be only \$400,000, not the whole \$1,000,000.

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