COMMUNITY GIVING FOUNDATION'S

PROFESSIONAL ADVISOR NEWSLETTER

csgiving.org/professional-advisors

Pending tax legislation, gifts of business interests, and steps to transfer a donor advised fund.

Hello from the Community Giving Foundation! Thank you to so many of you who have reached out recently with questions about how pending tax legislation might impact the charitable planning strategies you recommend to your clients. The Foundation team keeps a close eye on legislative developments related to philanthropy, and we are always here as a sounding board for you and other attorneys, CPAs, and financial advisors. Our latest update addresses these potential tax law changes and two important, tried-and-true charitable planning strategies.

- **Tax law changes** are on the horizon, and pending legislation creates a lot of unknowns for advisors and the clients you serve. The Foundation is happy to provide a high-level overview of what's on the table and offer insights for how proposed tax reform might impact your clients' giving strategies.

- Many of your clients likely own their own businesses, and most of those clients are likely supporting charities in the community. That's why it's important to know the benefits of **giving closely-held business interests** to a fund at the Foundation, as well as how to avoid pitfalls and mistaken assumptions that using a private foundation is the best move.

- As you work with charitable clients, you may discover that they've established a **donor advised fund** at a national commercial provider. It's easier than your clients might think to transfer this to a donor advised fund at the Foundation, which offers the same tax benefits plus the benefits of local connection and expertise. Learn how it works, step by step, and how the Foundation can help.

We’re honored to be your first call whenever the topic of charitable giving arises. Our goal is to help your clients make a difference, especially during these uncertain times. The Foundation is here for you, your clients, and our community. Please reach out!

Alyssa Meyers-Sanonu, Foundation Director of Philanthropy
570-850-3504 (cell) • ameyers-sanonu@csgiving.org

More questions than answers: Pending tax legislation.

There’s little doubt that you’ve seen extensive news coverage of the so-called “Big Beautiful Bill” (H.R.1) that passed the House of Representatives by a 215-214 vote on May 22, 2025, and now moves to the Senate, where significant changes are expected before final passage. And that is the primary takeaway here: *Significant changes are expected.* This makes it impossible to predict right now how your clients might be impacted by tax law changes.

Still, it’s important to be aware of key components of the bill that could impact estate and financial planning. Three key provisions rise to the top as advisors consider how their charitable clients might be affected:

No sunset of estate tax exemption. The bill makes permanent the expiring 2017 tax cuts under the Tax Cuts and Jobs Act (TCJA). This means that the much-anticipated sunset of the increased estate tax exemption might not happen at the end of this year after all. If the estate tax exemption remains high, a smaller segment of your clients will be motivated to use charitable giving as a way to avoid estate tax. Still, though, because people rarely give to charity solely for tax avoidance purposes, your clients remain very interested in discussing charitable giving and incorporating philanthropy into their estate and financial plans.

Standard deduction stays high. Proposals in the bill would make permanent the higher standard deduction levels from the TCJA, and even add an additional temporary increase through 2028. The upshot here is that few taxpayers itemize their deductions, reducing the number of people eligible to claim a charitable deduction. The still-high standard deduction likely could signal continuation of the decline in charitable giving following the 2017 tax cuts. On the flip side, the bill introduces a modest “above-the-line” charitable deduction for nonitemizers—$150 for individuals and $300 for joint filers.

Increased taxes on private foundations. The bill sharply increases excise taxes on the investment income of large private foundations, raising rates from the current 1.39% to as much as 10% for the largest entities, although private foundations with less than $50 million in assets would see no change. What this means for your charitable clients is that private foundations may become less attractive. Many nonprofit leaders are concerned that this could impact charitable giving; it might also mean that donor advised funds could become even more attractive. Certainly, the Foundation remains committed to helping your clients establish donor advised funds and other vehicles to actively support their favorite charities as well as ensure that critical local needs are addressed.

So, what's next? The Senate is expected to begin its markup in June, with the process likely extending into July or August as both chambers reconcile differences before sending the bill to President Trump for signature.

Please reach out anytime! Our team is happy to discuss options for your clients' charitable giving to ensure that they're supporting their favorite causes and important local needs in the most effective ways possible under any set of tax laws.

Donating business interests: Why a fund at the Foundation is the ideal recipient.

If your client base includes business owners, you probably weren't surprised by this observation in a recent *Wall Street Journal* article about the "stealthy wealthy": "Behind a paycheck, the largest source of income for the 1% highest earners in the U.S. isn't being a partner at an investment bank or launching a one-in-a-million tech startup. It is owning a medium-size regional business."

What's more, the chances are very good that most of your business-owner clients are charitably-inclined. Indeed, more than 90% of small business owners have supported charities and community activities in the last year.

This means that you and other tax and estate planning advisors ought to have at least a basic level of knowledge about the benefits and mechanics of giving closely-held business interests to charity. When properly executed, this technique can be extremely effective to achieve the client's financial and philanthropic goals. Here are three very important components of this strategy:

Stop before you use a private foundation. Some of your business owner clients probably have established a private foundation. But the private foundation is not the ideal recipient of private business interests. Donating closely-held stock to a fund at the Foundation is generally more tax effective than giving to a private foundation due to several key differences in how the IRS treats these gifts. When your client donates closely-held stock to the Foundation, your client can typically deduct the full fair market value of the stock, up to 30% of adjusted gross income and also avoid paying capital gains tax on any appreciation. By contrast, if your client donates the same stock to a private foundation, the deduction is limited to cost basis up to only 20% of AGI, which is a significantly less favorable tax outcome.

Mind the timing. Encourage a business owner client to start planning for a gift of closely-held stock before putting out feelers to potential acquirers and absolutely before any part of a deal is inked. This is crucial because a gift to charity will avoid substantial unrealized capital gains that have accrued in the business over the years only if the gift and the sale are genuinely separate events, avoiding the step transaction doctrine. Careful planning will help ensure that the client's fund at the Foundation will receive 100 cents on the dollar for the portion of the stock it owns and the deduction won't be thrown out.

Respect the rules for valuation. Counsel your clients about securing a proper valuation for charitable deduction purposes at the time the business interest is contributed to the fund at the Foundation. Valuation has always been a critical factor in any type of tax or estate planning strategy. Recently, the additional wrinkle presented by the Supreme Court's decision in *Connelly v. United States* makes things even more interesting. The *Connelly* decision impacts the way business interests are valued for estate tax purposes. In *Connelly*, the Supreme Court held that life insurance proceeds indeed ought to be included in the value of a company without offsetting the redemption obligation. This could translate to higher taxable estates for your business owner clients, creating further incentive to leave a portion of closely-held stock to charity. The decision is also a reminder that careful planning can potentially avoid pitfalls.

As always, please reach out to the Foundation anytime the topic of charitable giving arises in client conversations.

Easier than you might think: Moving a donor advised fund to the Foundation.

As you advise clients on charitable giving, you're likely aware of the growing popularity of the donor advised fund as a flexible, tax-efficient tool for philanthropy. Many families appreciate how donor advised funds can streamline giving, foster family engagement, and serve as a launchpad for deeper community impact.

Recently, we've engaged with many professional advisors who work with clients utilizing community foundations in a variety of ways, ranging from contributing to important initiatives, supporting the community foundation's operating endowment, making qualified charitable distributions from IRAs, or participating in events that address critical local priorities.

Interestingly, we have discovered that some advisors were not aware that their clients had established donor advised funds through national financial institutions. Although these clients are familiar with the Foundation, they simply did not know that the Foundation could help them in multiple ways, including establishing a donor advised fund to support favorite charities. It's easier—and more beneficial—than you might think for your client to move a donor advised fund to the Foundation! Here's what you need to know:

Tax and administrative advantages are the same. The Foundation offers donor advised funds with the same tax and administrative advantages as national providers, including:

- Online access for clients to view fund balances, contributions, and grant history.
- Simple grantmaking process to qualified charities.
- Consolidated tax reporting, often with a single year-end letter for all contributions and grants.
- Comprehensive back-office support for administration, tax receipts, recordkeeping, and compliance with 501(c)(3) requirements.
- Favorable tax deductibility for contributions, including gifts of cash, securities, and other assets.

Added value at the Foundation. Unlike many national donor advised fund sponsors, the Foundation offers a suite of high-touch, locally-informed services that can enhance your clients' philanthropic strategies, such as:

- Personalized service from staff experienced in structuring complex gifts (e.g., appreciated stock, real estate, closely-held business interest, estate gifts).
- Local expertise on community needs, nonprofit effectiveness, and high-impact grantmaking.
- Opportunities for collaboration with other donors and access to educational forums featuring local and national experts.
- Deep engagement in specific issue areas, including educational opportunities and hands-on involvement for clients and their families.
- Impact measurement support to help clients track and communicate the outcomes of their giving.
- Family and corporate philanthropy services to foster long-term, multi-generational charitable engagement.
- Administrative fees that are reinvested in the community, supporting local operations and amplifying the Foundation's mission.
- Direct access to local experts who can research and recommend causes aligned with your clients' goals.
- Staff with deep community roots who maintain close relationships with nonprofit leaders and stay attuned to emerging needs.

What next? The steps to transfer a donor advised fund are surprisingly simple:

- Work with the Foundation team to establish a donor advised fund. Our straightforward, easy-to-complete paperwork makes it seamless and fast. Your client can mirror the terms of the existing donor advised fund, or adjust successor advisors and legacy provisions based on their charitable intentions. Our team will walk through the process with you and your client.
- Work with your client to request a grant from the national donor advised fund provider. Depending on the provider, this can sometimes be completed all online. Designate the Foundation (and reference the new donor advised fund if possible) as the grant recipient.
- Your client may be able to grant the entire balance in one transaction. If not, most of the balance can be transferred to fund the new donor advised fund, and you can work with your client to transfer the rest later.
- Before closing the donor advised fund at the national provider, your client should download grant history and contribution information for future reference and tax documentation. Note that transfers between donor advised funds are tax-neutral—transactions and not taxable events.

We look forward to working with you and your clients to make the most of their charitable giving, especially by establishing a donor advised fund at the Foundation to serve as the cornerstone of the client's charitable giving plan. With a donor advised fund as a baseline, your client can begin to tap into all of the many ways the Foundation serves as a home for charitable giving, from strategic grantmaking to legacy giving and everything in between.

The team at the Community Giving Foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. Learn more at csgiving.org/professional-advisors. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

Community Giving
FOUNDATION

The Community Giving Foundation is a 501(c)(3) organization that develops, manages, and distributes funds for charitable purposes in communities across the Central Susquehanna region of Pennsylvania.

725 West Front Street • Berwick, PA 18603 • 570-752-3930 • csgiving.org