COMMUNITY GIVING FOUNDATION'S

PROFESSIONAL ADVISOR NEWSLETTER

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Charitable assets in a divorce, renewed interest in charitable lead trusts, and tips for conversations on new tax laws.

Greetings! At the Community Giving Foundation, we're honored to work alongside attorneys, CPAs, and financial advisors who help clients turn charitable intentions into meaningful impact. Whether you're navigating clients' complex life events, exploring advanced planning strategies, or responding to changes in the tax landscape, your role is critical in shaping outcomes that benefit both your clients and the community. This month, we're taking a closer look at three topics that may be gaining traction in your client conversations.

- **What happens: Charitable assets in a divorce.** Philanthropy is deeply personal—but in a divorce, charitable assets can raise complex legal and financial questions. It's important to consider how donor advised funds, trusts, and other charitable vehicles may be treated when a marriage ends, and how proactive planning can help avoid surprises.

- **Rare but useful: Planning with charitable lead trusts.** Charitable lead trusts may not come up often, but when they do, they can be powerful. The Foundation is happy to share why charitable lead trusts are getting renewed attention, especially because of a recent IRS ruling, and how these vehicles can help certain clients achieve both charitable and estate planning goals.

- **Wakeup call: OBBBA changes and client conversations.** You may already be well-versed in recent tax law changes—but many clients are just now starting to pay attention. The Foundation keeps you up to date on key developments affecting charitable giving and offers practical reminders to help guide your client conversations in a shifting landscape.

Community Giving Foundation is our region's home for charitable giving, and it is our pleasure to work with you and your clients to help improve the lives of everyone who lives here. We look forward to our next conversation!

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What happens to charitable assets in a divorce?

As you work with charitable clients over the course of your career, you'll likely help dozens of married couples establish donor advised funds and other types of funds at the Community Giving Foundation, structure charitable gifts in wills and trusts, establish charitable remainder trusts, and everything in between.

But what happens to charitable assets in the event of divorce? Over the last few years, in the wake of high-profile divorces, more and more advisors have been pondering this question. It's certainly worth considering so you can be prepared if—and likely *when*—you encounter such a situation. It's especially important as women play an increasingly important role in a couple's philanthropy.

For many couples, philanthropy is deeply personal and closely tied to shared values developed over time. What's more, advisors who engage both partners on all planning matters, including charitable giving, are more likely, according to research described in a recent white paper, to grow their practices and earn client referrals.

But from a legal standpoint, charitable giving during marriage is not purely personal—it is often subject to the same rules that govern other marital assets. In community property states, for example, assets acquired during marriage are generally considered jointly owned, and spouses owe fiduciary duties to one another regarding the use of those assets. That framework can create complications when one spouse makes a significant charitable gift without the other's knowledge or consent. Indeed, unilateral gifts of community property may be challenged, and in

some cases, the full value of the gift may be attributed back to the donating spouse in a divorce proceeding. This may be a surprising outcome for clients who assume that charitable intent alone resolves any questions about ownership or control.

The implications extend beyond outright gifts. Philanthropic vehicles such as donor advised funds, private foundations, and charitable trusts can also become points of negotiation in divorce. These structures may no longer be considered part of the marital estate once funded, but questions about control, governance, and ongoing advisory privileges can still create tension between spouses.

For attorneys, CPAs, and financial advisors, the takeaway is clear: charitable planning does not exist in a vacuum. Conversations about significant gifts—especially those made during marriage—should include coordination with legal counsel and, where appropriate, documentation of mutual intent. Encouraging clients to align on charitable decisions in advance can help avoid disputes later and preserve both financial and philanthropic goals.

As always, remember that the Community Giving Foundation is here for you! Whether a client is considering a current gift, establishing a charitable vehicle, or navigating a complex life transition such as divorce, the Foundation can serve as a resource to help implement the recommendations of legal and tax counsel in a way that is both effective and durable.

Anytime you are talking with a client about charitable giving, give us a call! Including the Foundation early in the conversation can help ensure that your clients' charitable intentions are carried out smoothly, even when circumstances change. We look forward to working together!

Rare but useful: Planning with charitable lead trusts.

"Charitable lead trust" is far from a household word, and you might not run across the need for one very often in your practice. They sure do come in handy in certain client situations, though. At the Community Giving Foundation, we are happy to establish a donor advised fund or another type of fund to serve as the income beneficiary of a **charitable lead annuity trust**, or "CLAT", established by a client.

It's worth briefly reviewing the basics of a CLAT because they are having a moment. Here's what's going on:

- The Internal Revenue Service issued Private Letter Ruling 202614004 on April 3, 2026, addressing whether a CLAT can be terminated early by accelerating its remaining payments to charity.
- The ruling involved a CLAT that so significantly outperformed expectations that the trustee proposed distributing all remaining annuity payments in a lump sum to a donor advised fund, and then winding down the trust.

- The IRS concluded that this early termination would not trigger self-dealing penalties, would not be treated as a taxable expenditure, and would not result in a termination tax—largely because the payment was made to a qualified public charity and fulfilled the trust's charitable purpose.

Of course, as is the case with all private letter rulings, PLR 202614004 represents the IRS's non-precedential interpretation of tax law and is binding only between the IRS and the specific taxpayer who requested the ruling. Still, private letter rulings are often cited to show the IRS's probable position.

So why is this seemingly obscure private letter ruling relevant as an indicator of the IRS's likely position in similar future situations? Here's why:

- CLATs are generally subject to private foundation rules, including strict prohibitions on self-dealing with "disqualified persons". In this instance, however, the IRS emphasized that a public charity (including a donor advised fund sponsor) is not considered a disqualified person for these purposes, allowing the accelerated payment without adverse consequences.
- PLR 202614004 highlights that charitable planning vehicles like CLATs may offer more flexibility than previously assumed, particularly when circumstances change or when a trust significantly outperforms projections. What's more, the ruling reinforces the importance of understanding how technical rules—such as self-dealing restrictions—apply differently depending on the type of charitable recipient involved.

Charitable lead trusts are extremely complex and can be structured in different ways to achieve a client's specific tax objectives. Still, as you work with charitably inclined clients, keep an eye out for a scenario that may be well-suited for a charitable lead annuity trust:

- The client, whose net worth is likely to be subject to estate tax, owns rapidly appreciating assets (such as pre-IPO stock).
- The client wants to transfer significant wealth to heirs in a tax-efficient way.
- The client wants to make immediate and meaningful charitable gifts while they are living.

A client like this could establish a CLAT and name a donor advised fund at the Community Giving Foundation as the income beneficiary. The CLAT would make fixed annual payments to the donor advised fund for a term of years. The donor advised fund, in turn, could support the client's favorite charities via the client's grant recommendations.

At the end of the trust term, any remaining assets in the CLAT would pass to the client's children or other heirs, often without triggering additional gift or estate tax, assuming the trust was structured properly and investment performance meets or exceeds IRS assumptions.

For clients who want to enjoy charitable giving during their lifetimes and reduce estate and gift taxes on highly appreciating assets, a CLAT is worth a look.

Remember that a CLAT is just one of hundreds of charitable giving vehicles through which the Foundation can help your clients achieve their charitable and estate planning goals. As always,

please reach out to the Foundation team when working with a charitable client, regardless of where that client is along the charitable giving journey.

Wakeup call: OBBBA changes and client conversations.

For many attorneys, CPAs, and financial advisors, the tax law changes under the One Big Beautiful Bill Act are old news. That is not the case for many of your clients! While you've been busy reading dozens of articles and evaluating how the changes will impact your clients, many of your clients are just now learning about the changes, especially as issues came to the forefront for them during tax season. Even if you've been talking with clients about the changes for months, don't stop. For many clients, now is the first time they'll really be listening.

Here are a few things to know:

1. Mainstream media is picking up the pace in its coverage of charitable planning techniques. For example, the *Wall Street Journal* recently published an article about donor advised funds as a tool for tax savings and community impact. Many clients may not realize that the Community Giving Foundation offers donor advised funds, along with other options for structuring a charitable giving plan to support their favorite causes and address critical community issues. Be sure to reach out to the Foundation whenever a client asks you about setting up a donor advised fund.

2. Thoughtful planning is especially important in light of the new floor on itemized charitable deductions. Starting in 2026, to be eligible for a deduction, a client's qualified deductions must exceed 0.5% of adjusted gross income, essentially raising the threshold at which charitable giving produces a tax benefit. This could make it advantageous for some of your clients to "bunch" charitable contributions through a donor advised fund, allowing the client to front-load donations into a single tax year to cross the threshold.

3. At the same time, under a "cap" provision in the new law, if a client is in the 37% federal income tax bracket, itemized charitable deductions are now capped at the 35% tax rate. In

simplified terms, depending on other factors, this means that if a client donates $10,000, the tax break would be $3,500 instead of $3,700. In short, the floor and the cap add extra complexity to helping clients plan their charitable contributions.

4. The new tax laws have changed the landscape for not only your clients who itemize deductions but also for those who do not itemize. Non-itemizers are now eligible for an "above the line" deduction of $1,000 for single filers and $2,000 for joint filers. Be aware, however, that the new deduction for non-itemizers does not apply to noncash gifts or gifts to donor advised funds. Because both noncash gifts and gifts to donor advised funds are important tax planning tools for many clients, this limitation is worth noting in your discussions.

5. Finally, remember that donating appreciated stock held for more than one year is usually more tax-efficient than writing a check. That's because it allows your client to avoid capital gains tax on the appreciation. What's more, clients who itemize deductions will be eligible to claim a tax deduction for the full fair market value.

Please reach out to the Foundation any time. We know the new tax laws add a lot to your plate, and we are always happy to point you in the right direction as you conduct research and offer counsel to your clients. And remember, you don't have to jump headfirst into the complexity during your client discussions. Even talking about philanthropy in the simplest terms can help strengthen your client relationships and grow your practice.

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.

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.

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