Professional Advisor Newsletter
February 2022

Greetings!

We're honored to work with so many attorneys, accountants, and financial advisors who are committed to helping clients achieve their philanthropic goals. Every day, we are inspired by our donors–your clients–who frequently tell us how grateful they are for the strong working relationship between you, as their trusted advisors, and our team, as a trusted source for community knowledge and charitable gift planning.

In that spirit, we publish this newsletter to help you stay current on the charitable giving topics that are on the minds of your philanthropic clients, including tax developments that impact charitable giving. Our goal is to provide a valuable top-line rundown and an open invitation to reach out to our team to discuss topics that catch your eye. We'd love to share more and add value to your work.

In this issue, we'll be covering tax legislation (actually, the lack thereof!), exploring the trend toward bigger charitable gifts, and reviewing the rules for gifts of artwork, especially in this era of NFTs.

As always, we'd love to hear from you!

(This newsletter is also available at https://cfgrundycounty.com/professional-advisor-newsletter/ so that you can access all of the live links)

–Julie Buck, CAP®
Executive Director

So, what happened to tax reform? And what does that mean for charitable giving strategies?

Last year's heavily-debated versions of the Build Back Better Act called for tax increases that potentially could have impacted charitable giving. But, as 2022 gets into full swing, legislation that's eventually passed may bear little resemblance to early iterations. In particular, debate over the cap on the deductibility of state and local taxes ("SALT") has illuminated a parallel debate over whether the changes to the cap would impact charitable giving. At the moment, though, tax increases to support President Biden's legislative agenda are still very much up in the air.

In other tax news, advocates for charitable organizations are lobbying lawmakers to bring back COVID-19-related tax incentives, including the $300 ($600 for joint filers) so-called "universal" charitable deduction.

Meanwhile, taxpayers may find themselves in limbo over timing decisions for their gifts to charity, as well as other tax-sensitive transactions, creating ongoing discussions with advisors about whether to pursue "bunching" strategies or instead to wait for more clarity on the legislative situation.

Big gifts are getting bigger. How does that change your conversations with your clients?

Ranging from $175 million to a whopping $15 billion, the 10 largest gifts to charity in 2021 may have caught your clients' attention. Not only do philanthropic gifts seem to keep getting bigger, but the future looks bright, too, with more than $84 trillion projected to be handed down in what may be one of the largest intergenerational transfers of wealth in history. Although most of that money will flow to heirs, projections indicate that charities could receive as much as 14% (nine percent in the form of bequests and the rest as lifetime gifts to charity).

As your Baby Boomer clients plan their estates, please keep "Just 5" in mind. As our Transfer of Wealth video (https://youtu.be/YFCd0sBsFHE) shows, by dedicating "Just 5%" of your clients' estates in endowment, we can have millions of dollars… annually… forever… to tackle the issues that we care about in Grundy County. By partnering with CFGC, your clients can choose the endowment that best fits their goals, whether a DAF, scholarship, designated, for field of interest fund.

The community foundation can help you develop an impact-focused philanthropy plan for your clients, including helping your clients "reverse engineer" the philanthropy structures that will be most likely to result in the difference your clients want to make in the world. Keep an eye out for clients who match these characteristics:

--Families who have started to talk with you about multi-generational participation in philanthropy but do not yet have any formalized plans.

--Families who have publicly demonstrated a commitment to three or more charitable organizations.

--Families who own a multi-generational family business such that corporate giving and enterprise legacy have become intertwined.

--Families in which members across multiple generations appear to be actively involved in philanthropy discussions.

The team at the community foundation has the depth and breadth of experience to help you in these instances, and much more.

When giving hard-to-value assets, creativity–and caution–are critical in the digital age

For some of your clients, the thought of giving artwork to a museum or other charity might have crossed their minds. Otherwise, in the estate plan you'll build for the art collector, the choices largely boil down either to selling the pieces, or giving them to family and loved ones during life or through a bequest.

It is imperative to understand the tax consequences of each disposition scenario as you advise your clients about their collectibles. For example, clients may not realize that the higher capital gains rate of 28% generally applies to artwork and other collectibles–not the 20% rate typically applicable to sales of other types of capital gains assets. And even this higher rate has been the subject of some tax reform discussions.

Indeed, many clients would prefer to hold onto their art collections, rather than sell during their lifetimes, in order to take advantage of the step up in basis upon their deaths.

Charitable giving is an option here, too, and your client can potentially avoid capital gains and estate taxes by donating artwork to a nonprofit organization. Be very careful, though, because the rules are different depending on the type of charity (*e.g.*, a museum versus a foundation) and whether the charity's use is related to its exempt purpose (*e.g.*, a museum versus an animal shelter).

So, what happens if your client wants to give an NFT to charity? Which rules apply–the usual rules for non-cash assets, or the rules for donating artwork? The law is equal parts emerging, fascinating, and intricate! As IRS guidance emerges–and similar to the tax treatment of gifts of art collections–the proper tax treatment likely will hinge on factors such as how the NFT will be used, whether the donor is a "creator," and whether the NFT is marketable and easily converted to cash.

The team at the community foundation thrives on complex giving opportunities. Whether your clients' estates include artwork, digital assets, real estate, or closely-held stock, please reach out. We'd love to help you evaluate the options for achieving both your clients' tax goals and charitable planning goals.

The team at the community 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. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

COMMUNITY FOUNDATION of Grundy County
520 W. Illinois Ave, Morris, IL 60450
815-941-0852
https://cfgrundycounty.com/
julie@cfgrundycounty.com