



"Giving" Advice



**TOLEDO COMMUNITY
FOUNDATION**
300 MADISON AVENUE
SUITE 1300
TOLEDO, OHIO 43604

419-241-5049
[TCF "GIVING" ADVICE
NEWSLETTER](#)
[Visit Our Website](#)

ABOUT YOUR FOUNDATION

Since 1973, the **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors transform their philanthropic impulse to measurable

[<Back to Front Page](#)

[Forward this Article>](#)

[Print This Article](#)

Planning Around Tax Uncertainty

If your clients are like most donors, they'll still want to support their cherished causes—and perhaps minimize their tax bite—regardless of the regulatory environment. But this tax year poses more uncertainty regarding tax regulations than there has been in perhaps decades. The challenge for Advisors? Navigating new rules and provisions to meet clients' needs at a time of year when two-thirds of all charitable giving occurs.

"Charitable giving is one aspect in overall financial planning," says Michael Leighton, president and CEO of the Community Foundation of Omaha. "Not taking the other financial planning elements into consideration when making giving decisions shortchanges a donor's likely impact."

Take Advantage of Expiring Charitable Rollover Provision

A significant difference from past years is the absence of a mandatory IRA distribution for individuals 70½ years and older. The government suspended the distribution for 2009 to allow assets to recover a portion of their market value. Even while distributions aren't mandatory, clients still have the option to take advantage of the charitable IRA rollover provision. This provision, expiring December 31, allows distributions of up to \$100,000 from IRAs to be given directly to charity without having to pay tax on any gains. Distributions to donor advised funds (DAFs), supporting organizations, and private foundations do not qualify for the special treatment.

Hope remains that the charitable rollover provision will be renewed for 2010, with the House Ways and Means Committee planning to mark up a bill in early December that would extend all expiring provisions for one year. But with Congress planning to take up reform of the tax code next year, there is no guarantee that the provision will continue past 2010. The bottom line: Clients should consider making charitable distributions this year to maximize the amount they can give to charities while

community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

removing retirement assets from their estates.

Potential for Capped Deduction Rates

The tax-law uncertainty could be a reason to spur active charitable giving now, says Omaha's Leighton. "The possibility of a cap on the rate individuals use to deduct charitable contributions remains. Some planners are closely examining this to see whether accelerating charitable deductions in 2009 and 2010 makes sense." As the law stands now, taxpayers earning more than \$200,000 a year can take itemized charitable deductions at a 33 percent rate (35 percent for families earning over \$250,000). With the top marginal tax rate proposed to increase to 36 percent or 39.6 percent in 2011, there are congressional proposals to cap the value of itemized deduction at the current 33/35 allowance.

Estate Tax Ambiguity

Another significant change from past years is the scheduled disappearance of the estate tax in 2010. Very few people believe the condition of the federal budget will allow estates to go untaxed. The question for financial professionals and their clients is how to plan around an as-yet-unknown estate tax structure. Prudence should dictate proceeding on the widely held belief that Congress will extend 2009's 45 percent top tax rate, after a \$3.5 million exemption, for 2010.

Community Foundations Offer Flexibility, Tax Advantages

Regardless of how you strategize around the uncertain tax environment, there are distinct advantages to using a community foundation as a tool to accomplish both tax efficiency and the fulfillment of your clients' philanthropic goals. By setting up a community foundation donor advised fund, gifts to the DAF earn an immediate tax deduction without the requirement of naming the charitable recipient at the same time. Such a structure eliminates the annual scramble to make donations that often leads to poorly thought-out philanthropy. When donors recommend grants, the community foundation handles the paperwork, vets the charity, and, if the recommendation is approved, cuts the checks, either in the donor's name or anonymously.

DAFs also offer superior tax benefits. Cash donations can be deducted up to 50 percent of adjusted gross income, as opposed to 30 percent for donations through private foundations. Gifts of appreciated assets are deductible up to 30 percent with a DAF but only 20 percent through a private foundation. Many community foundations also specialize in accepting special assets, including real estate, private company stock, and more, all usually deductible at market value.

In addition to immediate tax benefits, a DAF with a community foundation can also assist in estate planning, passing along not only assets but a donor's values as well, according to Linda R. Franciscovich, vice

president of development and philanthropic services at the Fairfield County Community Foundation in Connecticut. "Many of our donors will set up a donor advised fund so they have the pleasure of recommending grants during their lifetime, then include a provision in their estate for adding funding in their will," she explains. "That creates an opportunity for their children being named as the [DAF] advisor and continuing the donor's legacy."

Donors making distributions from an IRA can give to a community foundation's general fund. In such cases, the foundation evaluates what charities best serve the community's needs, from soup kitchens to educational programs and beyond, funding them as it sees need. Or they may make gifts to field-of-interest funds, which make grants in support of particular charitable causes such as hunger or homelessness, to scholarship funds, or to funds designated for the benefit of a particular charity or charities. Regardless of how the tax environment develops, charitable giving remains important to both clients and to the greater good. Says Leighton, "While saving taxes may affect a donor's life, philanthropy is a transformative act conducted out of the belief that we can all make a difference."

[<Back to Front Page](#)

[Unsubscribe to this e-newsletter.](#)

This email was sent to you by a community foundation affiliated with the Council on Foundations (COF). If you are not an intended recipient of this e-mail, please notify the sender and then delete it. COF policy bars the use of bulk mail lists. If you believe you received this email outside of these policies, please let us know at privacy@nmatpublisher.com. [Technical support](#) is available if you are having problems with this email.

This information is provided as a service to you. Product references are not intended as a solicitation, but rather, to provide information and address issues raised. Unless otherwise indicated, all service marks are the property of COF. Copyright 2009 Council on Foundations. All rights reserved.

POWERED BY **hnw**