



PROFESSIONAL ADVISOR NEWSLETTER

MONTHLY NEWSLETTER

OCTOBER 2024

**YOUR PARTNER IN STRATEGIC PHILANTHROPY PROFESSIONAL
ADVISORY SERVICES.** Empowering Financial Growth and Community Impact



FRAN BROLLEY

President and CEO

Starved Rock Country Community Foundation

 **GREETINGS FROM SRCCF!**

TAX LAWS AND THE GREAT UNKNOWN, EVENT TICKETS, AND TIPS FOR CLIENT CONVERSATIONS

Greetings from the Starved Rock Country Community Foundation!

As the end of the year draws closer, we're looking forward to working with so many of you to structure and fulfill your clients' charitable giving goals for 2024. The SRCCF is honored to be your very first call whenever the topic of charitable giving is part of your client conversations.

Our hearts go out to the millions of people affected by Hurricane Helene. Community foundations in the affected areas and across the country are making it as easy as possible to donate to relief efforts. Please contact our team to learn more about how you and your clients can help swiftly and most effectively.

In our latest articles, we're diving deeper into two key topics:

- Event season is ramping up, and that means your clients may have questions about the tax deductibility of buying tickets or purchasing a table. Indeed, supporting a charity event is not as straightforward as you might think. We are happy to help your clients support their favorite causes without running afoul of IRS rules.
- Clients expect you to ask them about charitable giving. "Oh I do that," you might say to yourself. But don't be so sure! Clients may have a different impression. We can offer simple tips and techniques to help you meet clients' expectations for including philanthropy in the conversation.

Thank you so much for the opportunity to work with you and your charitable clients. It is our honor and pleasure!

Fran Brolley

EVENT TICKETS: BEWARE OF THE SPLIT

Many of your philanthropy-minded clients certainly enjoy attending fundraising events for their favorite charities. Especially as community events start ramping up this fall, you'll want to be aware of a little wrinkle in the IRS rules that may surprise your clients so much that they ask you about it.



“ Here’s how this might go.

Client: “We wanted to buy a table at the fall gala through our donor-advised fund, but the team at the SRCCF said that’s not possible and they suggested alternate ways of meeting our goals. What’s up with that?”

You: “Ummmm”

”

And no one could blame you for that response! The rules behind this are obscure and confusing, even by IRS standards.

Here’s what’s going on: The IRS frowns on donor-advised funds paying for any part of an event ticket to a charitable fundraiser—even if a portion of the ticket is tax-deductible.

Big picture, the IRS is likely striving for administrative simplicity to enforce the longstanding tax principle that a taxpayer cannot deduct value given to a charity that is effectively transferred back to the taxpayer. At a typical event, of course, your client receives food, drinks, entertainment, and even t-shirts and other fun swag. The IRS knows this!

The IRS’s commentary on this topic is not new; IRS Notice 2017-73 addresses a concept known as “bifurcated gifts,” meaning a portion of a gift is tax deductible and the other is not. The background here is that the IRS has taken the position that Internal Revenue Code Section 4967 prohibits donor-advised grants from conferring “more than incidental” benefits to donor-advised fund holders. In its 2017 Notice, the IRS expresses its opinion that donor-advised fund grants that enable attendance or participation in a charity-sponsored event (such as buying tickets or a table) do indeed provide more than just an incidental benefit, even if the taxpayer pays out-of-pocket for the non-deductible portion of the ticket.

Ever since the notice was released, it's been on the radar of tax professionals, and many predict that the IRS will eventually formalize its opinion by issuing new regulations. It's wise to keep an eye on this because the penalties certainly are not negligible and include excise taxes imposed on the donor advisor and potential penalties for donor-advised fund programs that knowingly authorize such payments.

THERE IS GOOD NEWS, THOUGH!

We understand the rules inside and out, and we are here to help your clients stay compliant and achieve their charitable goals. In situations like this, we help your clients structure gifts from their donor-advised funds to support general event sponsorships if the client declines all benefits, or even recommend that the client pay the ticket portion from their personal funds and use donor-advised funds to give separate and additional amounts for general support unrelated to the event specifically.

AT A LOSS FOR WORDS? TIPS FOR STARTING A CHARITABLE GIVING CONVERSATION



Attorneys, CPAs, and financial advisors certainly are not strangers to tough questions. Indeed, the mix of money, family, and mortality is a potent combination that almost always creates an emotionally-charged planning environment, whether the matter at hand is tax planning, updating wills and trusts, or structuring retirement portfolios.

Why, then, are so many advisors reluctant to bring up charitable giving during client meetings when the topic itself is so uplifting? In some cases, you may feel like you don't know enough about the technical tax planning aspects of charitable giving to be able to offer sound advice. In other cases, you may be concerned about taking the planning process off course into areas where the client doesn't want you involved.

Or maybe you don't feel you have a good enough grasp of the client's big picture to truly recognize opportunities for charitable planning that are a win-win for the client's favorite causes and the client's tax and financial plan.

CONSIDER THE FOLLOWING:

Clients are expecting you to bring up charitable giving; studies reveal a disconnect between what clients and advisors assume and perceive. So if you think to yourself, "Oh, I asked about that," think again because the client may disagree. Did you approach the question with sincere interest, or were you just checking a box?

You absolutely do not need to know the ins and outs of the charitable deduction rules, the details of Qualified Charitable Distributions, or how a donor-advised fund operates. If you've built an expertise around charitable giving in your practice, that's terrific, but if not, our team is just an email or a phone call away. We're happy to support you and be part of the team to meet the client's objectives.

It does not need to be hard. While plenty of resources offer excellent suggestions for how to bring up charitable giving in conversations, many advisors tell us that they have to keep it even more simple. We understand that you don't have time to ask a briefcase full of questions. That does not mean, however, that you can't have a meaningful conversation. Even just two minutes is plenty if you show genuine interest in the client's intentions and connect the client to the community foundation.

For example, the charitable planning part of a client meeting could be as simple as this: "Bring me up to speed on your involvement with community organizations." Then, let them talk. If they're not involved in any community organizations, they'll tell you. And if they are, they'll tell you that, too.

If the client is indeed involved in community organizations, let them know that you are happy to connect them to the team at the Starved Rock Country Community Foundation, or invite a professional from the SRCCF to your next meeting. You might be surprised at how easy it is, and how much the client appreciates your interest in areas of their lives that go beyond dollars-and-cents transactions and legal documents. It's our honor to work with you and your charitable clients.

STARVED ROCK COUNTRY COMMUNITY FOUNDATION

*Connecting People Who Care
With Causes That Matter*

 241 Marquette Street,
LaSalle, IL 61301

 815-252-2906

 www.srccf.org

 info@srccf.org

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.

**THANK YOU FOR THE OPPORTUNITY
TO WORK TOGETHER!**

