



PROFESSIONAL ADVISOR NEWSLETTER

MONTHLY NEWSLETTER

JUNE 2025 TRENDING TOPIC 1

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



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Starved Rock Country Community Foundation



GREETINGS FROM SRCCF!

WE'RE HERE FOR YOU - JUNE 2025 TRENDING TOPICS 1

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 SRCCF 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 we're also covering 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. We are 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' charitable 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 really important to know the benefits of giving closely-held business interests to a fund with us, as well as understand how to avoid pitfalls and mistaken assumptions that using a private foundation is the best move.

As always, 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 community foundation is here for you, for your clients, and for our community.

01

**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 SRCCF 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.

As always, the Starved Rock Country Community Foundation will keep you posted! 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.

02

DONATING BUSINESS INTERESTS: WHY A FUND AT THE SRCCF 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 SRCCF is generally more tax effective than giving it 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 us, 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 SRCCF 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 community 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 Starved Rock Country Community Foundation anytime the topic of charitable giving arises in client conversations. We are honored to be your first call on all matters of philanthropy. Most of the time, we can help. If not, we will absolutely point you in the right direction.

**STARVED ROCK COUNTRY
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*Connecting People Who Care
With Causes That Matter*

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The team at the community foundation is honored to serve as a resource and sounding board as you build your charitable plans and pursue your philanthropic objectives for making a difference in the community. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice. Please consult your tax or legal advisor to learn how this information might apply to your own situation.

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

