



PROFESSIONAL ADVISOR NEWSLETTER

MONTHLY NEWSLETTER

MARCH 2026 TRENDING TOPIC 2

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



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 **GREETINGS FROM SRCCF!**

WE'RE HERE FOR YOU - MARCH 2026 TRENDING TOPICS 2

Thank you for the opportunity to work together! We love hearing from so many of you throughout the year, and especially as tax time approaches. It is an honor to work with your charitable clients to maximize their community impact as well as their financial and estate planning goals.

As always, the team at the SRCCF watches trends closely so that we can keep you informed of legal and policy developments that could impact your work with philanthropic individuals and families. We're happy to share what's trending.

–Two recent cases offer a timely reminder: When it comes to charitable deductions and exempt status, technical compliance is everything. Good intentions alone will not carry the day. We're highlighting what these rulings mean for your client conversations and how proactive guidance can prevent costly missteps.

–A business sale is never just a financial transaction—it is a turning point for family identity, community presence, and long-term legacy. A case study can help illustrate how intentional philanthropy can transform a liquidity event into a unifying strategy that preserves both values and relationships for the next generation.

Pamela Beckett
Founder and Senior Director of Philanthropy

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DOCUMENTATION IS NO JOKE AND COFFEE IS NOT MILK: TWO IMPORTANT TAX RULINGS

At the Starved Rock Country Community Foundation, we're honored to work with hundreds of individuals, families, and businesses who support a wide range of charitable causes. The generosity and commitment across generations and demographics inspire our team every single day.



We value the role you play in helping individuals and families make the most of their charitable giving. That's why we're committed to providing regular updates on legal and policy developments that may impact your clients.

In two recent rulings, the underlying message is consistent: Courts and the IRS continue to apply the technical requirements governing charitable deductions with precision. Your clients' good intentions are not enough.

STRICT SUBSTANTIATION: A FAMILIAR BUT CRITICAL REMINDER

Gibson v. Commissioner serves as yet another reminder that it is really important for your clients to substantiate their charitable deductions. Time and again, both the IRS and the Tax Court have disallowed a taxpayer's deduction because rules were not followed. In Gibson, a married couple claimed nearly \$194,000 in noncash charitable contributions related to donated personal property. The court did not dispute that tangible items were transferred to a charitable organization. Instead, the deduction failed because the taxpayers did not satisfy the detailed substantiation requirements—specifically, contemporaneous written acknowledgments and qualified appraisal standards.

No matter how strong a client's desire to make a difference through charitable donations, technical compliance drives deductibility. Form 8283 thresholds, appraisal rules, and acknowledgment language are not administrative formalities; they are statutory requirements. The Gibson case provides a practical example to share with clients who may be inclined to "drop off"

significant in-kind gifts without first consulting their advisory team.

Here's the key takeaway: Even though you as an attorney, CPA, or financial advisor may fully understand the importance of following the rules, you still need to remind your clients regularly. You don't want a client to ask "Why didn't you tell us?" when they learn the hard way that they should have kept better records.

EXEMPT STATUS IS NOT FOREVER

The lesson in *Milk Saving Starving Children Foundation v. Commissioner* is that if you say you've got milk, you'd better have milk! In *Milk*, the Tax Court upheld the IRS's revocation of 501(c)(3) status for an organization that failed to operate exclusively for charitable purposes and conferred impermissible private benefits. The organization's stated mission—to distribute milk—was in fact charitable. Over time, though, its operations drifted away from distributing milk to operating a coffee shop and hosting a golf tournament.

Here's why we're sharing this case:

-The Tax Court's written opinion in *Milk* provides a terrific overview of the legal principles behind one of the cornerstones of tax-exempt status: a charity's ongoing activities must further its exempt purposes. As you bring new attorneys, CPAs, and financial advisors into your practice, the *Milk* case is simply terrific for training purposes.

-As it applies to your client work, remember the *Milk* case when a client expresses interest in supporting a lesser-known or newly formed organization. Please reach out to us in these instances because our team can provide insight on any charitable organization, whether well-established or new—and offer safeguards through field-of-interest funds and other vehicles.

As an attorney, CPA, or financial advisor, you probably work with several clients who own a family business. You've likely also considered that there may be a role for strategic philanthropy in family business succession planning to help clients get ready for an eventual exit. But so what? How does strategic philanthropy actually play out in conversations with a real client?



Here's a case study to illustrate a scenario similar to what you might experience in your own practice.

When Mark and Elaine come into your office to update their estate and financial plans, retirement is only part of the future picture they'd like to discuss. At 66 and 64, they are financially secure—but the larger question looming in the background is the future of the family business. After three decades of ownership, they are beginning to explore a sale within the next few years.

The first part of your conversation is very familiar: income projections, portfolio sustainability, and how the family business's corporate structure could evolve to allow Mark and Elaine to step back from day-to-day operations. If you are their financial advisor or CPA, you might run the models, stress-test assumptions, and outline what taxes and retirement could look like if a liquidity event occurs. If you are their estate planning attorney, you might review the company's legal structure and emergency transition plans.

In any case, you know the numbers are strong. A sale would more than fund Mark and Elaine's lifetime needs. But as your conversation deepens, a more complex issue surfaces: what does succession look like—not just operationally, but reputationally and relationally?

"Our two adult children are not active in the business," says Mark. "A third-party sale is inevitable, and we are fine with that financially, but it's a gut punch emotionally." A concerned expression crosses Mark's face as he considers his feelings about a sale to non-family members. "The

company's name carries a lot of weight in the community," he says. "For years, the business has been closely associated with the family's identity and local impact. So what happens to that identity if we sell?" Mark wonders aloud.

Elaine's concern is more inward-facing. "I really want our children to stay aligned after a liquidity event. For so many years, company events and trips have been where we've all gathered. I hate to think of that 'glue' disappearing in an instant." Elaine says she has seen other families fracture after a business sale. "They barely see each other anymore," she remarks.

This is where you introduce a broader planning lens. You validate that a business sale is not only a financial event. It is deeply personal and public at the same time. "How the family positions itself before, during, and after that transition can shape both community legitimacy and internal unity for decades," you say. "So you both are spot on with your concerns."

You suggest that philanthropy—structured intentionally before a sale—can serve as a bridge. What you mean is that Mark and Elaine could explore the option to transfer shares in the business to a donor-advised fund at the SRCCF well in advance of any potential transaction. Then, when the business is sold, a portion of the proceeds lands in the donor-advised fund.

The tax advantages of the transaction are meaningful. By donating a portion of closely held stock before a legally binding sale process begins, Mark and Elaine are eligible for an income tax deduction, subject to AGI limitations, based on the stock's fair market value at the time of the gift. Later, when the business is sold, the proceeds on the shares held by the donor-advised fund are not subject to capital gains tax.

Still, you emphasize that tax efficiency is only one layer.

Creating a donor-advised fund before the sale allows the family, working together, to articulate a charitable mission while the business is still operating. It signals continuity: although ownership may change, the family's commitment to the community does not.

You suggest to Mark and Elaine that the SRCCF team join the next meeting. Of course, you remain responsible for facilitating the transaction and coordinating with other advisors. But the community foundation's philanthropic advisors can facilitate conversations that go beyond the corporate, legal, financial, and tax aspects, leading a dialogue focused on questions that will shape the family's philanthropy plan, such as:

- What causes reflect the values that built the business?
- How should the family's name be represented post-sale?
- What governance structure will guide the next generation's involvement?

You also share with Mark and Elaine that the SRCCF can host structured family meetings, provide community needs assessments, and introduce best practices for multigenerational philanthropy. Importantly, this gives the children a meaningful role before liquidity occurs. Instead of simply awaiting proceeds, they begin working together to recommend grants, evaluate impact, and represent the family publicly.

In effect, philanthropy becomes a training ground for shared decision-making—without the operational risk of running a company.

Mark and Elaine love this suggestion. “Let’s do it,” Elaine says. “This plan makes us feel like a future sale is less like an ending and more like a pivot.”

Mark and Elaine’s situation is one of many examples of cases where a family business may eventually change hands. But through an intentional philanthropic structure—designed in coordination with the SRCCF—the family’s influence, values, and unity continue. Please reach out to our team anytime. It is our pleasure to help you serve your charitable clients through all stages of their lives.

STARVED ROCK COUNTRY COMMUNITY FOUNDATION

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With Causes That Matter*

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

