



COMMUNITY FOUNDATION BOULDER COUNTY

INSPIRING IDEAS. IGNITING ACTION.®

Dear Professional Advisors,

Last month, we described the incredible generosity from our community in response to the south Boulder grocery store shooting. In addition to contributions to your Community Foundation and other qualified nonprofit organizations, several crowdfunding sites popped up on social media to support victims and their families. Please see the article below regarding the tax implications of such donations.



The philanthropic services team at your Community Foundation constantly strives to improve our services in support of our community. As such, we have partnered with the Center for Effective Philanthropy to conduct a donor survey that will conclude in the fall. And recently, I joined a cohort of professional advisors across Boulder County pursuing our Chartered Advisor in Philanthropy designation through the American College of Financial Services.

Thank you for your continued referrals to your Community Foundation. We are honored to be your philanthropic partner in your work with clients.

Warmly,
Lynda

"501(c)what?": Sorting through jargon to determine deductibility



When tax season rolls around each spring, a new crop of questions may arise concerning clients' gifts to various organizations and whether those donations qualify as tax-deductible charitable contributions.

Keep in mind that Section 501(c) of the Internal Revenue Code lays out the requirements for organizations to be considered tax-exempt--a status for which an organization must seek IRS approval.

Tax exemptions apply to certain types of nonprofit organizations, but status as a nonprofit (which is a state law construct) does not necessarily mean that the organization will be exempt from Federal income taxes.

Furthermore, even under Section 501(c), there are different types of nonprofits that are recognized by the IRS as tax-exempt. To qualify under the Internal Revenue Code [Section 170 charitable deduction](#) for gifts to Section 501(c)(3) organizations, for example, the recipient must be organized and operated exclusively for "charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and the prevention of cruelty to children or animals." "Charitable," according to the IRS, has a very narrow [definition](#).

No doubt, many of your clients not only support 501(c)(3) charities but also [social welfare groups](#) organized under Section 501(c)(4). Examples of social welfare groups

include neighborhood associations, veterans organizations, volunteer fire departments, and other civic groups whose net earnings are used to promote the common good. Donations to social welfare groups are tax-deductible in only certain cases (*e.g.*, gifts to volunteer fire departments and veterans organizations). Chambers of commerce and other business leagues fall under [Section 501\(c\)\(6\)](#); donations to these entities are not tax-deductible.

If you have any questions about the tax-deductibility of your clients' contributions to various organizations, please reach out to the team at the community foundation. We are immersed in the world of Section 501(c) every single day and are happy to help you navigate the rules.

"If not 501(c), then what?": Cautioning clients about crowdfunding

What if your clients make donations to entities that don't fall under a specific section of the Internal Revenue Code, but feel "charitable" nonetheless because the dollars are helping people in need? Perhaps a client has helped set up a dedicated account at a bank to provide scholarships to the children of an accident victim, or even participated in a GoFundMe fundraiser to help a specific family.



These vehicles, along with other crowdfunding platforms, **typically do not meet the qualifications** for a charitable organization under Section 501(c)(3), usually because the funds are earmarked for a particular person or person.

The issue is **no longer academic or obscure**. According to a Lilly Family School of Philanthropy survey, nearly one-third of respondents said they donate at least once a year to a crowdfunding venture, especially responding to family members and close friends in need.

Even with the increase in popularity of crowdfunding and online fundraising platforms, the IRS has only just begun to issue guidance. Consider [Private Letter Ruling 2016-0036](#). Here, the IRS referenced a notion it referred to as "detached generosity" and noted that giving to strangers on a platform such as GoFundMe did not generate the "quid pro quo" that is an automatic knock-out punch for charitable deduction eligibility. Still, the IRS indicated that the absence of a quid pro quo is not enough to cause a transaction to rise to the level of a charitable contribution. Taxpayers and professionals still must pay close attention to the **circumstances and facts** of each situation.

Ice breakers: Three easy openers to talk about philanthropy



Many advisors really want to bring up charitable giving in client meetings, especially while updates to tax and estate plans are underway. Indeed, many advisors believe they have a responsibility to raise the issue. But how?

Addressing charitable giving priorities with clients does not need to be hard. The key is to be interested, relevant, and authentic. Here is a tip for each.

Show genuine interest.

Dale Carnegie's maxim, "To be interesting, be interested," is good advice for nearly every social or business encounter. Especially with charitable giving topics, showing interest is important because giving is very personal and emotional. When you are reviewing a client's tax return, for example, ask about the charitable organizations the client supports. You'll likely be amazed at the richness of the stories behind each gift.

Stay relevant.

Tax reform is on the minds of many clients. This gives you an opening to talk about potential changes to the tax rates and what might happen to capital gains treatment. Explore each client's balance of charitable interests versus leaving inheritances to family members. Charitable clients will be glad to know you are up to date on the **lobbying efforts** of nonprofit sector leaders. Indeed, many charitable clients serve on nonprofit boards whose members also would find this information useful. For example, in its **April 16, 2021 letter** to Secretary of the Treasury Janet Yellen, the Charitable Giving Coalition noted that the charitable deduction is "unique" and "promotes a selfless act, incentivizing taxpayers to give more funds to charities than they would otherwise give."

Be authentic about COVID-19.

Nearly everyone has been affected by the pandemic in some way. Sharing your own experiences and impressions of 2020 and early 2021 will encourage clients to open up. Charitable giving is a natural topic of this conversation. According to a **study conducted by Candid**, U.S. foundations, corporations, and individual donors stepped up by granting more than \$10.7 billion as of early 2021 to address pandemic-related challenges. "There is no doubt that philanthropy has responded to COVID-19 on a scale not seen before," note the study's authors. Inspiring statistics like these bring home the importance of charitable giving as part of a family's overall financial and estate plan. And of course, please reach out to the community foundation for updates on how our board, staff, and donors are rallying to meet the COVID-19 challenges in our own community.

In case you missed it

We are happy/sad to write that **Brooke Kahl** is moving to Cleveland to be the Project Manager for **foodNest 2.0** at the Swetland Center for Environmental Health, Case Western Reserve University's School of Medicine. We are grateful to Brooke for offering such an array of skills, smarts and compassion to the work of the Foundation as Philanthropic Services Associate these past two years.

While no one could ever replace Brooke, we are determined to try, and could use your help!

Do you or someone in your network want to join a team of passionate people dedicated to building a more equitable Boulder County?

Community Foundation Boulder County seeks a **Philanthropic Services Associate** who sees philanthropy as a vehicle for community engagement and empowerment. The new hire will report to the Vice President of Philanthropic Services and will take responsibility for supporting development and fundraising both logistically and strategically.

Applications should be submitted by 5 p.m. Monday, May 24, 2021.



Meet your Community Foundation team

We're pleased to work with professional advisors around Boulder County to ensure your clients receive stellar service and a personalized approach to actualizing their

philanthropic goals and related tax savings. With our practice of working in partnership, knowledge of local issues and the philanthropic landscape, and commitment to impact, we're your best resource for donor-advised funds and planned giving. Please contact us to learn how we can assist you and your clients now and into next year.

Members of our Philanthropic Services Team (pictured below, l-r):

- Peggy Driscoll, Philanthropic Services Officer
- Caroline Landry, Philanthropic Services Officer
- Lynda Ricketson, Vice President of Philanthropic Services
- Matt Zwiebel, Director, Pledge 1% Colorado

PhilanthropicServices@commfound.org | 303.442.0436 | commfound.org/advisors



Statement of Affirmation

Community Foundation Boulder County is committed to being a community catalyst for good, alongside donors and partners like you. We believe our community is stronger when all people - women and men, children, older adults, immigrants, people of color, LGBTQ+ individuals, those with varying abilities and from all faiths - are respected, welcomed, and invited to share their assets and contributions in community building.

We stand with others, in Boulder County and beyond, who courageously strive to build more inclusive communities rather than walls of division. We remain wholeheartedly committed to social justice for our most marginalized and vulnerable people and for the care of threatened environments. We believe in the power of art and music to improve our lives and community. Now, more than ever, we seek opportunities for local action and invite you to join us in our [ongoing leadership work](#) that includes grantmaking, outreach, and advocacy. We accomplish more together than we do alone.

Donating to your Community Foundation makes a local impact. Get inspired. Donate here.