Dear Professional Advisors,

Thank you to those of you who joined us for our annual Professional Advisor Happy Hour. We enjoyed seeing you in person and connecting over empanadas!

I’m delighted to introduce an addition to your philanthropic services team. Sara Carrasco-Wyant joined us on July 6 as Philanthropic Services Associate. Sara is a Boulder native and brings with her development experience from the Boulder Humane Society and Community Shares.

We hope you find this edition of the newsletter helpful. Please let us know if there are other topics you would find to be of interest.

As always, we are here as your philanthropic partners. Please reach out if we can be of service.

Warmly,

Lynda

Case study: How to spot a prime CRT opportunity

Imagine that a client sits down at your conference room table and begins the meeting something like this:

“I've got a prime tract of land I bought for $200,000 just 10 years ago, and now I am sure I could sell it for $2 million because the market is so hot for new residential development in the area. I need to act fast because I am not sure how much longer this real estate boom will last.”

What’s your response? Before you suggest that your client put the property up for sale as soon as possible, consider asking a few more questions that could save your client a lot of money and help satisfy the client's income and charitable giving goals at the same time.

“That’s fantastic,” you say. Instead of jumping to getting the property listed, you go deeper.

“Your current estate plan already includes bequests to hospice, animal rescue, and the art museum,” you remind the client. “There actually is a way to wrap those goals into your strategy for selling the land.”

“Hmmm,” the client says, considering your idea. “If it’s all the same in terms of which charities receive money when I die, sure, I’m open to it.”

“Good,” you respond. “Now, remind me, does this property produce any income for you right now?”
“Unfortunately, no,” replies your client. “I’ve never had time to develop the land, so it just sits there. At least the value has been going up.”

“Ah,” you respond. “With the technique I have in mind, you may be able to secure an income stream for the rest of your life, in addition to satisfying your charitable goals and capitalizing on the property’s high value.”

“That sounds great,” is your client’s response, which you predicted.

So what idea is on your mind for this client? Hint: Its initials are C R T.

That’s right. CRT. A charitable remainder trust (“CRT”) is a “split interest” charitable planning tool that allows your client to transfer an asset (in this case, real estate) to an irrevocable trust, retain an income stream, and earmark what’s left (the “remainder”) to pass to a charity or charities of the client’s choice.

For example, in our hypothetical situation, your client could establish a fund at the community foundation to receive the CRT’s assets following the termination of the income stream, in this case, on the client’s death. The client’s fund at the community foundation can provide for distribution of those assets to hospice, animal rescue, and the art museum according to the client’s wishes.

Because the charitable remainder trust qualifies as a charitable entity under the Internal Revenue Code, here’s what happens from a tax perspective:

- When the client transfers the property to the CRT at a fair market value of $2 million with a cost basis of $200,000, and then the CRT sells the property, the CRT itself does not pay tax on the $1.8 million capital gain.

- This leaves the full $2 million in the trust to be invested, subject to the client’s retained income stream.

- The client is eligible for a charitable tax deduction of the fair market value of the property given to the trust, minus the present value of the retained income stream.

- Payments to the client generally are subject to income tax during each year of the distributions, but under more favorable terms than if the client had conducted an outright sale.

- Because the CRT is an irrevocable trust, the property and its proceeds (other than what winds up in the client’s estate from the retained income stream) are excluded from the client’s estate for estate tax purposes.

Contrast this with an alternative scenario in which your client sells the property, realizes a $1.8 million capital gain, pays tax on that gain, and ends up with, say, $1.5 million (probably less!) with which to invest, give to charity, and draw from for income. And, in this situation, the proceeds would be included in the client’s estate for estate tax purposes. Ouch!

When you spot a client who could benefit from a CRT, give us a call! The team at the community foundation is happy to help you as you serve your clients from the moment a client walks in the door through fulfilling the client’s wishes after the client passes away.

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**Planned giving starts now: Tips and talking points for lifetime charitable gifts**

According to 2020 statistics released in June 2021 as part of the *Giving USA* report, Americans’ bequests to charity totaled nearly $42 billion last year. That’s a tremendous amount of charitable giving flowing to community organizations from donors after they die. Still, it’s a fraction of the $324 billion *Giving USA* reports was given to charities in 2020 by living individuals.
As you work with your philanthropic clients, do not only consider the benefits of building philanthropic components into clients’ estate plans for distribution after death, but also consider helping your clients make meaningful gifts during their lifetimes.

Here are three tips for encouraging your clients consider “giving while living” as part of their plans:

- Clients get to see the results of their gifts and have an opportunity to get involved, whether as a volunteer, board member, or simply an observer at a site visit to each charity they support.

- Clients can involve their children and grandchildren in making the gifts, especially when the clients are working with the community foundation through a family donor-advised fund or other collaborative vehicle.

- Clients are eligible for an income tax deduction for lifetime charitable gifts, and the gifted assets are no longer subject to future estate taxes.

The team at the community foundation can help you assist your clients with a philanthropy plan, starting with the basics. Here are a three talking points to help you begin the conversation with your philanthropic clients:

- “Give to what you know. Most Americans get the greatest joy from giving to causes with which they are personally familiar. This makes it easier to understand how the charity is using your dollars. So, for example, if you’ve had experience with helping foster children, you are likely to understand how the organization is using your donation to support training for foster parents. Or if someone in your family suffers from an eating disorder, you will understand what it means to give money to support an individual to receive an extra six weeks of treatment beyond what insurance will pay. And do not be afraid to ask! Most organizations are happy to share the tangible impact of your donation—whether it is $10, $100, $1,000 or more.”

- “Give where you are. Many Americans support charitable causes overseas, and that is wonderful. But don’t forget that sometimes the greatest needs are right here at home. Look for opportunities to support local charities who are celebrating year-end giving by offering information about the overall need, the mission they serve to meet that need, and the positive impact of a year-end gift on the lives of others. When you give to local organizations, you are in a much better position to have confidence in your gift.”

- “Above all, give to the charities you love. Gifts that are aligned with a passion and your own love of humanity carry the most energy and ultimately make the most difference. The bottom line is that giving should feel good. Certainly understanding how a charity is using the money is a part of that. But don’t let that get in the way of doing good and enjoying every minute of it.”

Need more tips and talking points? The team at the community foundation is always here to help.

An eye on the law: Recent updates and rulings

The team at the community foundation stays on top of tax cases, IRS rulings, and legislation that could impact the advice and counsel you provide your clients on matters involving charitable giving.

Here are a few current highlights and reminders we recommend you skim.

**Electronic filing is now required for private foundations**

For tax years 2020 and beyond, all private foundations must file Form 4720 (Return of Investment in Exempt Purposes) electronically. This rule applies to both the donor-advised fund and the private foundation. If you have not already done so, consider using an electronic filing system to ensure a seamless transition.
Certain Excise Taxes) electronically, beginning with returns due on or after July 15, 2021. The Internal Revenue Service will no longer accept paper returns filed by a private foundation with a due date on or after July 15, 2021. More information is available from the IRS in a special notice and on a reference list of software providers.

Charitable giving legislation introduced

Senate Bill 1981 was introduced on June 9, 2021 by Senators Angus King and Chuck Grassley. The Accelerating Charitable Efforts (ACE) Act, as it is called, aims to increase the flow of support to nonprofits’ efforts to help the communities they serve. The Act would impose new requirements and limitations on private foundations and donor-advised funds.

The professionals at the community foundation are watching this legislation closely. We encourage you to reach out to our team if you have questions or concerns about how potential changes to the law might affect the charitable planning work you do for your clients.

Conservation easements remain on the radar

If any of your clients have deployed a conservation easement as a charitable planning tool, you’ll want to keep a close eye on the law in this area. Long the subject of scrutiny, arguably due to the behavior of a few bad actors claiming aggressive deductions, conservation easements may soon be subject to the provisions of the Charitable Conservation Easement Program Integrity Act introduced in both the House and the Senate on June 24, 2021. The proposed legislation intends to prevent abuse while still encouraging the proper use of the conservation easement as a vehicle for the long-term protection of public land.

Indeed, TOT Property Holdings LLC et al. v. Commissioner, a recent Eleventh Circuit case affirming the Tax Court’s decision to disallow a deduction for a charitable gift of a conservation easement, is one of 80 cases currently being pursued by the Internal Revenue Service to challenge aggressive “syndicate” forms of conservation easements.

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
- Sara Carrasco-Wyant, Philanthropic Services Associate
- Matt Zwiebel, Director, Pledge 1% Colorado

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Statement of Affirmation

Community Foundation Boulder County is committed to being a community catalyst for good, alongside
Donating to your Community Foundation makes a local impact. Get inspired. Donate here.