

Community Foundations Offer Year-End Tax Solutions

When clients anticipate owing a substantial sum to the Internal Revenue Service at year-end, they may look to their professional advisors to recommend alternative destinations for their hard-won assets—destinations that may help further their charitable goals.

Perhaps your client sold his business for \$4 million in May, or maybe he simply had a high-income year. The value of his taxable assets has jumped substantially, and he needs a creative solution by December 31. At this point, many professional advisors point their clients toward community foundations, which are highly knowledgeable about local charities and not only support individuals' philanthropic beliefs but also offer higher deduction rates than private foundations.

“We often get referrals from professional advisors guiding their clients through year-end tax issues,” says Kimberly Kur, senior advancement officer of professional advisor services for the Arizona Community Foundation. “Attorneys, CPAs, financial planners, trust officers and insurance agents send their clients our way.”

Tax Benefits

When it comes to tax savings, community foundations hold certain advantages over private foundations because they qualify as public charities.

Cash donations: Donors to community foundations can deduct up to 50 percent of their adjusted gross income (AGI), with a five-year carryforward, Kur says. So if a client has an AGI of \$100,000 and they give \$50,000 in cash to set up a fund, they may then be able to deduct \$50,000 that year. On the other hand, if the same client gives to a private foundation, they can only deduct up to 30 percent of their AGI, or \$30,000 on a \$50,000 contribution, and would have to carry the balance forward.

Appreciated assets donations: The same pattern follows with appreciated property, like real estate or securities held for the long-term, Kur says. When a client donates appreciated property to a community foundation, the client can receive a deduction of up to 30 percent of their AGI, with a five-year carryforward. Those giving their appreciated assets to a private foundation, however, have a lower deduction limit of 20 percent.

Time Constraints

Establishing a private foundation or trust takes time—something often in short supply for investors looking at a December 31 deadline. Yet it only takes one day—sometimes even only half an hour—to set up a fund at a community foundation. “Most community foundations make it easy,” says Christopher Hoyt, a professor of Law at the University of Missouri (Kansas City) and the author of *The Legal Compendium for Community Foundations*. “Usually there is a short gift agreement where the donor agrees to abide by the policies, and then they include a check.”

Fund Options

Community foundations offer a number of funds which can help clients find tax solutions, including, but not limited to:

- **Donor Advised Funds:** Creating a donor advised fund is one of the most popular paths for clients who want to make a donation before January 1 but haven't decided exactly which nonprofit to support. After setting up the fund, donors can take their time recommending charities to support, says Greg Kruzel, estate and business planning attorney with Scottsdale, Ariz.-based Braun Siler Kruzel PC. "You can deduct that amount today, even if it's distributed out over a period of months if not years," adds Kruzel, who has referred numerous clients to the Arizona Community Foundation. "It gives you a lot more time to go through the process."
- **Field of Interest Funds:** These funds distribute money to charities focused on one specific area, such as cancer research or music education. Donors can rely on the knowledge of community foundation employees who will direct grants to charities that are best suited to carry out the fund's purposes.
- **Designated Funds:** Another option is a designated fund, designed to distribute funds to one specific charity over time. This ensures that a small charity won't be overwhelmed by a large donation it can't handle. Not long ago, one of Kruzel's clients wanted to make a large six- to seven-figure donation to a charity that typically pulled in between \$200,000 and \$400,000 a year. "I just had the obvious question—what will they do with that?" he says. "Are they going to be smart with it?" A designated fund alleviates this concern.

A Creative Resource

When clients need an immediate and creative solution to their tax issues, community foundations serve as an excellent resource—not just for philanthropic reasons, but for tax purposes, too. "It's much more time- and cost-effective for clients to work within the community foundation than do it themselves," Kruzel says.

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Holiday Gift Ideas



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Need a new and refreshing idea for a Holiday Gift this year? Are you interested in bringing back the spirit of giving to the holiday season? Consider one of

the following holiday gift giving ideas from the Greater Des Moines Community Foundation:

GIFTS STARTING AT \$25

Give a gift in the name of a loved one to the Operation Santa Claus Charitable Fund. Operation Santa Claus provides gifts to institutionalized children of low income families. This fund started in 2001 to provide a long-term endowment to support Operation Santa Claus for years to come. *Call Sharon Friesz at 515.883.2626.*

GIFTS FOR \$100

Gray's Lake has become the "Place to Be" in the Des Moines Metro Area. Be there permanently by giving a brushed aluminum plaque in the name of your choice to be displayed on the railing of the pedestrian bridge in Gray's Lake Park. Over 1,000 plaques bear the names of donors, friends, and loved ones. Two lines of text are included on each plaque – commemorate a special person with this holi-

day gift that speaks forever. *Call Sharon Friesz at 515.883.2626.*

GIFTS STARTING AT \$1,000

The newly established Rainbow Fund offers the ability to support multiple philanthropic causes with the convenience of writing just one check! Every year 25 percent of the income from the Rainbow Fund supports each of the following four areas for a total of 100 percent:

1. The named nonprofit(s) of your choice (choose from hundreds of Des Moines' charitable organizations)
 2. A "field of interest" of your choice (choose from the following which promote general areas of philanthropy: Arts, Human Services, Women's Philanthropy, Youth Development, Health, Civic Projects, Parks and Recreation)
 3. Greater Des Moines Community Foundation's Community Endowment, and
 4. United Way's Community Endowment
- Call Johni Hays at 515.883-9505.*

GIFTS STARTING AT \$10,000

Establish a donor advised fund. Give your loved ones the ability to benefit the charitable organizations that are near and dear to their hearts by personally selecting every year which organizations will receive the income from their donor advised fund. It's a great gift to begin sharing philanthropy with your family, children and grandchildren. *Call Kristi Knous at 515.883-2703.*



Greater Des Moines
COMMUNITY
FOUNDATION

Philanthropy is Our Only Business.

515-883-2626

www.desmoinesfoundation.org

Had too good of a year?

Reduce your taxes now through strategic philanthropy.



DANOS



LOZIER

It's not too late to convert tax liabilities into gifts for your favorite charities. Setting up a donor advised fund at the Greater Des Moines Community Foundation is easy and it's smart. You receive the tax benefits immediately while enjoying the flexibility of deciding later where you'd like to direct those charitable dollars.

For more information, contact Johnny Danos or Kaye Lozier at your Greater Des Moines Community Foundation (515) 883-2626.

The Greater Des Moines Community Foundation is a donor-driven public foundation whose purpose is to improve the quality of life in Greater Des Moines through philanthropy.

The Community Foundation currently manages assets in excess of \$182 million, administers more than 480 charitable funds created by Iowans, and has distributed more than \$22 million in grants in 2007.



Philanthropy is Our Only Business.
515.883.2626
www.desmoinesfoundation.org

May 15, 2010

Dear Name:

What if one thing you did today could make all the difference for tomorrow?

I believe that investing in the people and the charitable causes of Greater Des Moines are the best investments we will ever make. This year, I'm asking you to consider investing in our community through the Community Foundation of Greater Des Moines.

The Community Foundation has been extended a challenge match from Kyle and Sharon Krause to help meet the rising needs in our community. Now through this summer, all gifts to the Community Foundation's Better Together Fund will be matched 100% up to \$40,000.

This is an incredible opportunity to double your gift to our community.

The Community Foundation Better Together Fund provides the dollars that meet our community's ever-changing needs. You can see the "return" on your investment directly at work locally through many worthwhile causes, such as:

- Blank Park Zoo
- Des Moines Kiwanis Miracle League Field
- John and Mary Pappajohn Sculpture Park
- Primary Health Care
- World Food Prize

Consider investing in what matters most—the charitable causes of Greater Des Moines. Now is the perfect time to take advantage of our challenge match. All gifts to our Better Together Fund will be matched 100% up to \$40,000.

You can make a difference by completing the enclosed pledge card or contributing online at www.desmoinesfoundation.org.

Thank you for your consideration. We are better together.

Sincerely,

J. Barry Griswell
President, Community Foundation of Greater Des Moines

P.S.: You can also support the Principal Charity Golf Classic by pledging your gift to the Community Foundation through the **Birdies for Charity** option on the enclosed pledge card.

P.S.S.: Your gift today can also qualify for Endow Iowa credits. Be sure to check the appropriate box on the pledge card to receive a 25% tax credit on your contribution.