

CARES Act: Opportunities for Philanthropy

Overview from the Webinar Presented by



Premise

Under the CARES Act there is a one-time lifting of the maximum allowable charitable contribution deduction to 100% of AGI. Limits apply by asset type and donation recipient. We believe a family fund is a high value choice for some families under these provisions.

CARES Act: High Level Summary of the Provision

Normally, deduction of charitable contributions range up to 60% of Adjusted Gross Income (AGI), depending on various factors. The CARES Act increases the total for cash contributions for **ALL** taxpayers up to 100% of AGI with opportunity for including gifts of other assets.

Some previous limits for certain types of gifts/recipients still apply, including:

- o The deduction of appreciated assets is capped at 30%
- o All current limitations for deductibility of contributions to private foundations still stand



Under the CARES Act, any additional allowable deductions (roughly 40-50% of AGI) must be in cash to a public charity & cannot be directed to a Donor Advised Fund or Supporting Organization.

Some Options for Taxpayers

1

Make significantly larger than typical donations to functioning charities

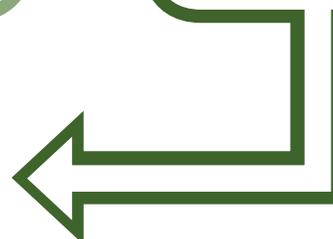
2

Accelerate payment of a pledge

3

Consider a family fund with a community foundation

For some families, it makes sense to create a fund that will provide long term support for institutions or a purpose instead of giving 100% of the gift to a charity immediately. This fund might be an endowment or a fund with a sunset clause. See the next page for examples of two kinds of funds a family might consider.





Family Funds

DEFINITION: A single-donor fund that grants every year to specific beneficiaries and/or for a specific purpose

GRANTING:

- o **By Institution:** Restricted or unrestricted
 - o E.g. fund that grants to one or more charitable organizations that a family loves
- o **By Purpose:** Establish purpose, predetermined universe of grantees
 - o E.g. fund that grants to agencies in Santa Clara County fighting homelessness

DURATION OPTIONS:

- o **True Endowment:** Perpetual fund with annual grants
- OR
- o **Fund with Sunset Provision:** Fund that grants every year with a plan for termination, e.g. number of years, specific dollar amount per year, lifetime of the donor, etc.

ELEMENTS OF A FAMILY FUND:

- o The donor/family chooses the beneficiaries/purpose. This is, by definition, a single-donor fund. Therefore, changes to the fund might be made with donor approval (seek legal and tax advice)
- o Families may recommend an investment management partner (for larger funds)
- o If it is a purpose-based fund, the family may be allowed to add a member to the grants committee and participate in grantee selection (seek legal advice)



Multi-Donor Endowment

DEFINITION: A fund that is open for donations from the public and grants every year to specific beneficiaries and/or for a specific purpose

GRANTING: Same as Family Funds; e.g. a general operating endowment for an institution or a fund for community improvements within a predetermined universe of potential grantees

ELEMENTS OF A INSTITUTIONAL OR PURPOSE-BASED FUND:

- o Many donors can contribute to the fund, so the purpose/beneficiaries cannot change
- o Fund must grant annually (typically 3-6%)
- o A family might incentivize other donors to contribute by creating a “match” opportunity to grow the fund

Why Partner with the Catholic Community Foundation?

The Catholic Community Foundation is set up to facilitate these types of funds. **THIS IS OUR AREA OF EXPERTISE.** The Foundation has:

- o Complete infrastructure for and experience with investments, fund accounting, grant making and more
- o Variance Power: The capability to honor and protect family purpose and intentions
- o Community presence, knowledge, and experience

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