

CARES Act Legislation & Tax Planning

NANCY MORIARTY

Tax Partner, Frank, Rimerman + Co. LLP



Frank, Rimerman + Co. LLP
certified public accountants

NANCY MORIARTY

CARES Act Legislation & Tax Planning

On March 27 COVID-19 #3 (HR 748) Coronavirus Aid, Relief and Economic Security (CARES) was enacted into law.

- Allows for an additional “above the line” deduction up to \$300 for cash gifts made to qualified charities
- Corporations can now deduct up to 25% of taxable income (increased from 10%) for cash contributions to charities
- Allows individuals to deduct up to 100% of Adjusted Gross Income for cash gifts to qualified charities

CARES Act Legislation & Tax Planning

Limits for Individual Taxpayers Pre CARES Act

- "§"170(b)(1)(A) 50% - normal public charity
- "§"170(b)(1)(B) 30% - private foundations
- "§"170(b)(1)(C) 30% - capital gain property to public charities
- "§"170(b)(1)(D) 20% - capital gain property to private foundations
- "§"170(b)(1)(G) 60% - increased limit for cash contributions made before January 1, 2026

60% limit only applied to all cash contributions

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CARES Act adds provision allowing deduction up to 100% of Adjusted Gross Income for 2020

- Taxpayer may elect provision to apply
- Gift must be made in cash
- Cannot be made to a private foundation, supporting organization or Donor Advised Fund
- Excess is carried over as a 60% carryover
- California has not conformed

Interplay with contributions of appreciated property and gifts to DAFs and Private Foundations

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Planning Opportunities

- Accelerate income
- Consider Roth IRA rollover
- Defer expenses or accelerated write-offs

Endowments & UPMIFA

ERIK DRYBURGH

Principal, Adler & Colvin

Endowments & UPMIFA

WHAT IS AN ENDOWMENT?

- Not wholly expendable on a current basis
- A gift instrument
- Not a broad-restricted (quasi) endowment, or a purpose restriction

What is UPMIFA?

- The Uniform Prudent Management of Institutional Funds Act
- Adopted in 2009
- Is “retroactive”

INVESTMENT STANDARDS

- Prudent person standard
- Modern portfolio theory
- Duty to diversify

Endowments & UPMIFA

SPENDING LIMITS

- Spend as the charity determines is prudent
- Consider preservation of the fund, and purposes of the fund
- Spending greater than 7% is presumptively imprudent
- UPMIFA eliminates the concept of “historic dollar value”

CHANGING RESTRICTIONS

- A charity can release or modify a restriction with written donor consent
- Absent donor consent, court approval required (in some cases, notice to the AG)

Family Funds

MARY QUILICI AUMACK

CEO, The Catholic Community Foundation of Santa Clara County



THE CATHOLIC
COMMUNITY FOUNDATION
OF SANTA CLARA COUNTY

MARY QUILICI AUMACK

Family Funds

WHAT IS A FAMILY FUND?

- Funds that grant every year
- Focused on institution(s)
- Focused on purpose
- May be perpetual (endowed) or have a sunset provision

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Family Funds

WHY A FAMILY FUND?

- Larger donation than you would want to give a non-profit at one time
- Purpose-based fund
 - Specific purpose
 - Defined universe of potential grantees
- Family legacy

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Family Funds

WHY PARTNER WITH THE CATHOLIC COMMUNITY FOUNDATION?

INFRASTRUCTURE

- Investment
- Grant making

PLATFORM FOR EXCHANGE

- Beneficiary to beneficiary
- Donor to donor
- Learning, sharing best practices

VARIANCE POWER

- Periodic vetting
- Intervening with major change of status

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Family Funds

SUMMARY

- CARES Act provides an opportunity for transformative charitable giving
- Families may see value in a “fund” approach
- The Catholic Community Foundation is a strong and appropriate partner

Thank you for joining us!

NANCY MORIARTY

nmoriarty@frankkrimerman.com

650.845.8100

ERIK DRYBURGH

dryburgh@AdlerColvin.com

415.421.7555

MARY QUILICI AUMACK

aumack@cfoscc.org

408.995.5219

cfoscc.org/cares-act-philanthropy-2020



THE CATHOLIC
COMMUNITY FOUNDATION
OF SANTA CLARA COUNTY