"If This, Then That": Scenarios To Consider As Tax Time Approaches

As attorneys, CPAs, and financial advisors, you are well aware that you have clients' attention when tax season rolls around. This makes it a great time to cover tax planning strategies for the current year and beyond. To help incorporate charitable giving topics into your tax season client conversations, we've put together tips to address three scenarios where the community foundation can assist your efforts.

Evaluate QCDs sooner rather than later.
If: Your client missed the 2024 deadline for a Qualified Charitable Distribution.
Then: Make sure the client took an RMD for 2024 (if required to do so). Start planning now for 2025 QCDs, paying very close attention to the required process. QCDs are an excellent tool for your clients who've reached the age of 70 ½ to give to a designated, field-of-interest, or unrestricted fund (donor-advised funds are not eligible), but if the client waits until the last minute at year-end, there might not be time for the transaction to be completed by December 31 as required. Plus, QCDs executed early in the year can help avoid negative effects of the "first-dollars-out rule" so that the QCD can count towards your client's 2025 RMD.

Watch for charitable giving opportunities in business succession planning.
If: Your client is beginning to consider exit strategies for a closely-held business.
Then: Reach out to the Community Foundation right away. Gifts of closely-held stock to a charitable fund can be a very useful component of a business succession plan. That's because a client can gift shares of the business, which in turn means that no capital gains tax will apply to the gifted portion when the business eventually sells. The proceeds of the gifted shares flow into the fund to be used for your client's charitable priorities. Keep in mind that timing is crucial; if a deal is in the works at the time the shares are transferred to the charitable fund, the charitable deduction is in jeopardy.

Consider gifts of appreciated stock early in the year.
If: Your client's stock portfolio made big gains last year.
Then: Evaluate whether it might be wise to make gifts of appreciated stock to a fund at the Community Foundation early in the year, rather than waiting until the end of the year. If certain stock positions are high right now, it's worth considering whether a gift in the very near future could be a good move to maximize charitable dollars. As a reminder, gifts of stock to a public charity are eligible for a charitable deduction in the amount of the stock's fair market value at the time of transfer. And, when the stock is sold so that its proceeds can be deployed to further your client's charitable goals, no capital gains tax will apply.

Our goal is to be your go-to sounding board for any client situation where charitable giving is an option. Please reach out anytime you and a client are discussing philanthropy. In most cases, the Chester County Community Foundation can help. Even if our tools are not a fit, we will point you in the right direction!

For more information, contact the Chester County Community Foundation:
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