

# Under Advisement

charitable advice for professional advisors

## May 9 Seminar to Feature Speakers from NY State Offices of the Attorney General and Taxation & Finance

The Community Foundation of Orange and Sullivan's Professional Advisors Council will host an educational seminar and networking event for accountants, attorneys, financial advisors & insurance representatives on **May 9, 2017**. The seminar will feature speakers from the NY State Attorney General's Office and the NY State Office of Taxation & Finance. It will run from **4:30-7:30 p.m.**, with registration & networking for the first hour, followed by a buffet dinner and 2-hour seminar in the Sen. William J. Larkin, Jr. Conference Room, at the Orange County Chamber of Commerce Business Center, 30 Scott's Corners Drive, Montgomery, NY.



The seminar will offer two Continuing Legal Education or Continuing Professional Education credits for attorneys and accountants.

Sandra Giorno-Tocco, from the Attorney General's office, will talk about "The Role of the Attorney General in Detecting and Investigating Fraud, Embezzlement, and Diversion of Charitable Assets." Afterwards, Mwise Chisunka, from the Office of Taxation and Finance, will provide a "Guide to Estate Planning" with an overview of recent tax repeals and reforms, and estate tax waivers and releases.

CLICK HERE  
TO REGISTER

The cost is **\$35 for members** of the New York State Society of Certified Public Accountants and **\$40 for non-members**. Full and partial scholarships, based on need, are available by calling Maureen Crush at (845) 897-3400.

**To register online visit <http://cfosny.org/event>, or call (845) 769-9393.**

This seminar is sponsored by Goldstein, Karlewicz & Goldstein LLP; Orange Bank & Trust Company; Blustein, Shapiro, Rich & Barone Attorneys at Law; Judelson, Giordano & Siegel, CPA, PC; and The Misner Agency, Inc., along with the Mid-Hudson Chapter of the New York State Society of Certified Public Accountants, and the Women's Bar Association of Orange & Sullivan Counties, a chapter of the Women's Bar Association of the State of NY.



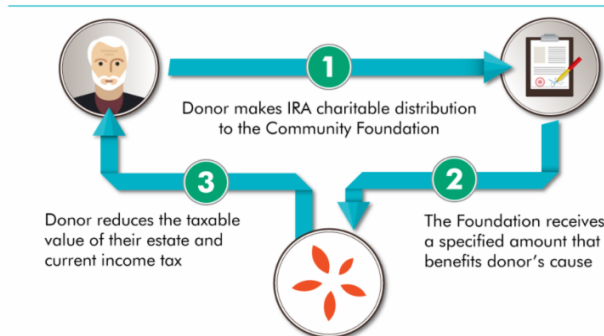
Bonnie Orr, CPA

## Can Your Clients Deduct Charitable Contributions?

It's tax time... Have you filed your clients' 2016 income tax returns? Are you searching for ways to help your clients reduce their tax bill?

If your clients itemize deductions on Schedule A, Form 1040, they know the list: medical expenses, taxes, home mortgage and investment interest, gifts to charity, casualty and theft losses, job expenses and of course "miscellaneous" expenses that are, well, miscellaneous!

But if they don't itemize, they get a "standard deduction." For 2016, for singles under age 65, the standard deduction is \$6,300. Married filing joint couples, both age 65 or older, get a \$15,100 standard deduction. Seniors with no mortgage debt often find the standard deduction is more than their itemized deductions. If that is your clients' situation, there is no need for them to spend time going through their 2016 records for itemized deductions. They should go outside and enjoy a bike ride instead!



If you are reading this newsletter, odds are your client has a favorite charity, a cause that means more to them than a tax deduction. Still, it is nice to be able to save them taxes on the charitable gifts they give. If they do not benefit from itemizing deductions, and they are over age 70 ½, there is a

way for them to get the charitable deduction. It is called a "Qualified Charitable Distribution" or "QCD". In December 2015, Congress passed this provision allowing taxpayers over age 70½ to distribute up to \$100,000 per year from their traditional IRA, directly, to the charity of their choice.

The QCD counts toward their annual required minimum distribution, effectively reducing their adjusted gross income (AGI). Reducing AGI can be a powerful tax planning tool. AGI determines the deductibility of rental losses, taxability of social security benefits, phase-outs of itemized deductions and personal exemptions, and the net investment income tax. When AGI is reduced, in effect their tax bracket may be lowered.

If you do itemize for your clients, here are a few other ways to increase their tax savings from charitable contributions:

- Gifts of appreciated property, such as stocks, gifted to charity get a deduction for the full value at time of contribution, with no capital gains tax to pay on the increased value over cost basis.
- Gifting to a Charitable Remainder Trust (CRT) may get an itemized deduction for part of the contribution to the trust, and provide income to the donor for life or a number of years.



- Charitable Lead Trusts (CLT) are created to gift to charity each year, the donor deducts the amount going to charity, the remainder is a discounted taxable gift from the donor to the remainder beneficiary. The Community Foundation of Orange and Sullivan can assist your clients with any of these strategies.

The IRS.gov website is a very useful tool to search for answers to questions about charitable and other deductions. IRS Publication 526 provides explanations and examples for charitable deductions. If you look it up, be sure to check page 6 for the charitable deduction of up to \$10,000.00 available to whaling captains recognized by the Alaska Eskimo Whaling Commission. Who knew? ;)

Bonnie Orr is a C.P.A with Judelson, Giordano & Siegel, CPA, P.C., with offices in Middletown and Poughkeepsie. The information herein is intended to provide a basic understanding of charitable deductions. Consult your tax advisor for information regarding your specific situation.

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## UPCOMING EVENTS

**April 18**

**Tax Day!**

**May 9**

**Professional Advisors Seminar** - 4:30 to 7:30 pm, Sen. William J. Larkin, Jr. Conference Room, Orange County Chamber of Commerce Business Center, 30 Scott's Corners Drive, Montgomery, NY 12549. Registration and networking 4:30-5:30; Seminar 5:30-7:30. Fees: \$35 for members of NYS Society of Certified Public Accountants; \$40 for non-members. **[Register here](#)**, or call **845.769.9393** for more info.

SPRING  
SEMINAR

**May 17**

**Hudson Valley Gives** - A regional day of online giving - fueled by social media - to support HUNDREDS of nonprofits in seven Hudson Valley counties. Please encourage your clients to give generously, and often, to charities that have registered online with **[HVGives.org](http://HVGives.org)**. Tag your social media posts using **#HVGives**. And join us at our free **Celebration of Success Party**, at **Newburgh Brewing Company** beginning at 4:00 p.m.





Gary M. Schuster,  
Esq.

## Swinging with the Community Foundation

What does a community foundation have to do with swings and sand boxes? Community foundations, locally and across the globe, are very flexible vehicles for charitable projects. The typical mechanism is a permanent charitable fund devoted to a specific charitable purpose, such as a scholarship, or support of a specific nonprofit organization. One or more donations are made to the fund. Interest earned is accumulated and paid out for the benefit of the specified beneficiaries. In a successful fund, donations are made continually so that principal continues to grow, resulting in ever-increasing amounts of interest earned, and ever-increasing payments for the beneficiaries. The hope is that such a fund will last for many years, or indeed, in perpetuity.

There is another mechanism used by community foundations which has a much shorter lifespan. Often referred to as "fiscal sponsorship," this mechanism is used to accomplish a short term or one-time project. There is no plan to invest the funds or to earn interest. Instead, the community foundation is used primarily for its tax-exempt, charitable status, and for its expertise in money management and record keeping.

There are two real-life examples underway right now in our communities. In Cornwall, and in Warwick, two separate groups of parents want to replace and rejuvenate old playgrounds at the Cornwall-on-Hudson Elementary School and at Stanley Deming Park with newer equipment that is ADA-compliant and inclusive of children with special needs. Both playgrounds will be community-designed and community-built. Both the school and the village are agreeable, but are not willing to cover project costs. The parents want to raise private money. They realize this will be much easier if



they can characterize the donations as charitable contributions which will be tax-deductible to the donor to the extent allowed by law. Donations are tax-deductible only if they are made to recognized charitable organizations. The group of parents is not a recognized charitable organization.

The parents could form a not-for-profit corporation and seek recognition of tax exemption from the Internal Revenue Service, but that is not the ideal solution. Apart from the months it would take to get approvals from Albany and the IRS, they would need bylaws, elections, directors, officers, committees, budgets, meetings, insurance, tax returns, a bank account, an EIN, and so on. That is far too much time and effort for a one-time, short-term project. The better solution is a fiscal sponsorship arrangement with an existing tax-exempt, charitable not-for-profit corporation. That is, the Community Foundation of Orange and Sullivan. In fiscal sponsorship, the group of parents essentially becomes an ad-hoc committee of the community foundation, and the playground project becomes a project of the community foundation. A formal written contract is entered between the parents and the community foundation. The major deal points are these:

- The parents will have all responsibility for soliciting charitable contributions. The Community Foundation will have no responsibility to raise funds, perform any of the work on the project, or guarantee completion of the project.

- Contributions will be made payable to their fund at the Community Foundation and the donors will receive a receipt from the Community Foundation which they can use when preparing their tax returns.
- When the parents incur expenses in connection with the project, they submit invoices and receipts to the Community Foundation. They will warrant and represent that each expense was incurred only in connection with the project. The Community Foundation will have the right to not pay expenses that are not genuinely incurred in connection with the project.
- The Community Foundation will pay the invoices out of the donated funds, but if there are not sufficient donated funds, some invoices will not be paid. That risk is borne by the parents, not the Community Foundation. The Community Foundation does not finance the project. The parents have to go out and raise more funds.
- When the project is complete, the arrangement is terminated. If there are excess funds, they must be applied for another charitable purpose. One option would be for the parents to create a typical donor advised fund for the benefit of the playground so that it can be maintained, repaired and improved into the future.
- Like any fiscal sponsor, the Community Foundation charges an administrative fee for its services. The fee could be a percentage of contributions, or a flat fee, or a fee based upon the number of transactions.



Naturally, there are additional rules concerning fiscal sponsorship. First, the project must be in furtherance of the specified tax-exempt purposes of the not-for-profit corporation. For example, a humane society, dedicated to the health and safety of animals, could not be a sponsor for playground for human children. Fortunately, the Community Foundation has an extremely broad purpose of improving the community in virtually every way, so virtually every possible charitable project would be in furtherance of its tax-exempt purposes.

Finally, the community foundation is required to exercise oversight over the project. If it is determined that the project is not charitable in nature, or that donated funds were misapplied for non-charitable purposes, then it will be the community foundation that is at risk for intermediate sanctions by the IRS, or even the loss of its tax-exempt status.



Fiscal sponsorship is how the Community Foundation of Orange and Sullivan can help build swings and sand boxes. It can also help build a house, produce artistic and cultural events, run athletic events, or hold fundraisers of all kinds. If you have a short-term charitable project in mind, ask the Community Foundation about fiscal

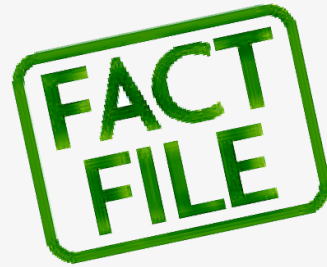
sponsorship.

Gary Schuster is a Partner at the firm of [Jacobowitz and Gubits, LLP](#), based in Walden, NY. Gary's varied practice includes formation, transactions and counseling for corporations, LLCs, partnerships and nonprofits; purchases and sales of businesses; commercial and residential real estate transactions and leasing; franchising; estate planning, administration and litigation; guardianship proceedings; and media, copyright and trademark.

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**(845) 639-0492**



## FASCINATING PHILANTHROPY FACTS



### Did you Know?

- \$373.25 billion was donated to US charitable causes in 2015, a 4.1% increase from the year prior.
- Only 5% of US charitable giving comes from corporations; 71% comes from individuals.
- The U.S. is one of only a few countries to allow tax deductions for charitable donations

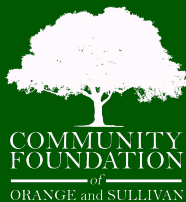
## PHILANTHROPY IN THE NEWS



On Philanthropy: Seven Trends in Philanthropy to Expect in 2017 ([Denver Post - click here to read](#))

5 Life Lessons From Bill Gates, One of the Most Influential Philanthropists on Earth ([Entrepreneur - click here to read](#))

David Rockefeller's Death Means Windfall for Family's Foundation ([Chronicle of Philanthropy - click here to read](#))



### "Connecting People Who Care With Causes That Matter"

We are one of about 750 community foundations in the U.S., and 1,300 across the globe. Since our establishment in 1999 we have created 250 charitable funds, now representing more than \$21 million in philanthropic capital for our region. Through the generosity of donors and fund representatives we have awarded more than \$8 million in grants and scholarships to date.

Our President & CEO and our Director of Development are both always available to help advisors meet their clients' charitable giving needs.



**Elizabeth Rowley**  
President & CEO  
[elizabeth@cfosny.org](mailto:elizabeth@cfosny.org)



**Michelle Hathaway**  
Director of Development  
[michelle@cfosny.org](mailto:michelle@cfosny.org)

Additionally, we can provide:


Personalized gift planning illustrations for your clients - ranging from charitable remainder trusts, charitable lead trusts, wealth replacement options and insurance trust illustrations.

Confidential gift planning through anonymous charitable funds.

Legal review of fund documents by our own legal counsel

## Portable Tools for Professional Advisors

[Click Here for Tools & Resources](#)

 [Send to a Colleague](#)

STAY CONNECTED:



### **Professional Advisors Council of the Community Foundation of Orange and Sullivan** (partial grouping above)

**Richard J. Shapiro, Esq., Chairman**

The **Professional Advisors Council** is comprised of attorneys, accountants, insurance professionals, and financial planners. The council hosts educational and networking seminars for Professional Advisors to network and earn CLE & CPE credits. The Council also assists in creating this e-newsletter quarterly. The **Community Foundation of Orange and Sullivan** also acknowledges our **Professional Advisors Society** which recognizes legal and financial advisors for their commitment to our community and for their efforts to advance and encourage charitable giving throughout the region.

**Interested in joining or learning more? Please reach out.**  
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