

Philanthropic Clients Need Help during Tax Season

Print Email Reprints

Tweet

G+1 +5

MARCH 15, 2016

BY KEN NOPAR



Most clients who utilize accounting firms to prepare their tax returns make charitable contributions.

Many do so in a tax-efficient manner by donating appreciated securities directly to charities or utilizing donor-advised funds through which they make their grants.

However, many clients simply write checks or go online to donate with their credit cards. They do not realize that other means are available to

increase their ability to have a greater impact on the charities that are most important to them, to reduce their taxes and to save money.



contributed by check, credit card, cash or other means. Even if the list that a client provides is complete, ask if it was easy, difficult or frustrating for them to put this together.

2. Clients donate assets that are not tax-efficient, and they have stock or other assets that could and should be donated instead.

3. Clients make all of their contributions in the last few days or weeks of December. Some year-end donors do so for good reasons because they only know at the end of the year what their annual income will be, or they have done their research and planning ahead of time and just prefer to make their donations at year-end. Others, however, make rushed decisions just to get it done or give only in response to requests for year-end donations. More advanced planning will lead to enhanced donor satisfaction and pride, as well as less pressure on wealth advisors to donate appreciated stock before December 31.

4. Clients make donations to different charities every year.

Related Articles

IRS Warns of New Scam

Variations

Trump's Tax Lawyers Say

2002-2008 Returns No

Longer Under Audit

Noncompetes for Accountants

IRS Releases Data on Fiscal

Year 2015

Business Leaders Concerned
about Tax Proposals

Other areas of interest

Financial Planning

Tax Practice

Wolters Kluwer accountingTODAY

What's your Tech IQ?



MOST READ

MOST EMAILED

- [Owe Back Taxes? Lose Your Passport](#)
- [Trump's Tax Lawyers Say 2002-2008 Returns No Longer Under Audit](#)
- [Simple Steps to Data Security](#)
- [Taxing March Madness Pools Is Not a Slam Dunk](#)
- [IRS Releases Data on Fiscal Year 2015](#)

5. Clients make repeated donations to the same charities throughout the year that are not scheduled in advance.
6. Clients donate significantly different amounts every year. Often this may depend on the clients' income, but CPAs can advise clients how to give consistent amounts from year to year through donor-advised funds or other options. It often can be embarrassing for donors to cut back on donations to their favorite charities, so they would welcome input from their advisors on how to avoid that situation.
7. Clients indicate they donate to unknown charities that solicit them on the phone.
8. Clients want to be generous and know they should be, but express frustration with the process, the paperwork, or trying to figure out how, when and where to give, or who should be involved. They may question why they are giving to certain organizations or wonder what impact they are having.
9. Clients make contributions to non-501(c)3 organizations or try to deduct contributions for which they are not entitled, such as entire amounts for tables, tickets or items at galas, golf outings or auctions.
10. Clients have private foundations but are not following the rules or are frustrated with the reporting and operating requirements. Donor-advised funds may be a much simpler solution that would enable clients to achieve their charitable goals and mission.
11. Clients are getting ready to sell a business or other asset and could greatly benefit by making a donation of the entire asset or a portion of it before the sale, rather than paying the taxes and then contributing the after-tax remainder.
12. Clients who have charitable intent but do not have a charitable plan, and do not have heirs or do not want provide additional support to their heirs.
13. Clients want to get their grown or younger children involved but are not sure how to do so.
14. Clients are generous in their donations, but their children who work in the same business are not.

Though tax-season may not be the peak charitable giving season, it is a good time to begin the conversation with clients. Advisors can plant the seed now and revisit the topic if the family does not act soon. The worst time may be to have the conversation and make a rushed decision at year-end. Even during periods of market volatility, this conversation can be broached, as some clients may be thinking about how they can continue to make their generous donations.

With the dramatic increase in the number of donor-advised funds over the last six years from 148,000 to 238,000, DAFs have become the go-to charitable vehicle for many CPAs, other advisors and their clients. They are simple to establish and use and provide extensive tax benefits. Increasingly, CPAs, wealth advisors, and attorneys are recommending specific DAFs to clients since there are many different ones to consider. Recommending the wrong DAF to a client can backfire, but not recommending a DAF to a client can be worse since the client may not understand the differences between them.

The following items should be considered:

1. Will the DAF approve recommended grants to all or some charities?
2. Which assets can DAFs accept (private or public stock, real estate, insurance, etc.)?
3. What are the investment choices? Can the client's wealth advisor manage the client's DAF assets and at what minimum amount?
4. Can the client give in perpetuity or is the fund limited to the life of the donor or one successor advisor? If it's limited, what happens to the assets in the end?
5. Can the client make unlimited grants or are the grants limited to a certain percentage each year?
6. Can the account be transferred to another DAF should the donor or advisor want or need to do so?
7. What's the minimum amount to establish the DAF?
8. What are the fees?
9. Is an individual staff member assigned to the donor or is there just a call center?
10. Is there the ability to make grant recommendations online?

Whether clients donate directly to charities or establish a charitable vehicle, tax season is often the ideal time to begin the charitable conversation with clients. Clients have just gathered the necessary information for their CPAs who can identify that the clients could use some help. Because many clients are philanthropic, they would welcome input to help them better achieve their charitable goals while reducing their tax burden. Though it may be too late for the previous year, they will be eager to implement changes for the current year.

*Ken Nopar is a senior philanthropic advisor for the **American Endowment Foundation** donor-advised fund.*

Founded in 1993, AEF is one of the country's fastest-growing and leading independent DAF sponsors, working with donors and their tax, wealth and legal advisors in all 50 states.