

NAVIGATING DONOR DEVELOPMENT DURING UNCERTAIN TIMES

By Lora Downey, Vice President, Institutional Consultant

The uncertain times created by the COVID-19 Pandemic also created a rapidly changing environment bringing about challenges and disruptions for our communities, healthcare systems and economy. At this point, no one knows for sure the extent and duration of the pandemic or the ultimate impact on the investment markets. However, Commerce Trust Company, a division of Commerce Bank, has been helping clients for over 100 years, and we are here to serve as your source of trusted advice.

We understand these challenges and disruptions may be a source of stress for nonprofit organizations, and we want to assure you that you are not alone. Commerce Trust Company values the relationships formed with our nonprofit clients, and we truly appreciate the important role nonprofits will serve in helping the country successfully emerge from this crisis.

With the interruption in our economy, donor development has become even more challenging. Donors are less accessible and may have increased concerns about making gifts given the uncertainty. The Coronavirus Aid, Relief and Economic Security Act (the “CARES” Act) was signed into law on Friday, March 27, 2020. While much of the act provided direct financial relief programs to companies, including provisions for nonprofits, the CARES Act also provided important charitable giving incentives that you will want to share with your donors.

THE CHARITABLE GIVING INCENTIVES PROVIDED BY THE CARES ACT

- A new above-the-line deduction (universal or non-itemizer deduction that applies to all taxpayers) for total qualified charitable contributions of up to \$300. The incentive applies to cash contributions made in 2020 and can be claimed on tax forms next year.
- Cash contributions made by individual taxpayers in 2020 to public charities are subject to a limit of 100% of adjusted gross income, up from the 60% limit.
- Cash contributions made by C-corporations in 2020 to public charities are subject to a limit of 25% of taxable income, up from the 10% limit; excess contributions above these limits may be carried over.
- The limit on deductible food inventory contributions is 25%, increased from 15%
- These newly enacted giving incentives do not apply to contributions made to supporting organizations or donor advised funds.

CHARITABLE GIVING AND PLANNED GIVING STRATEGIES

In addition to the new provisions above, donors still can take advantage of existing charitable and planned giving tools as well. Two giving strategies that are very easy for donors to implement are IRA Qualified Charitable Distributions and gifts of appreciated assets. These strategies, as well as other types of planned gifts, may be of interest for donors that may not want to deplete cash at this time, however still want to provide support.

- IRA Qualified Distributions: Donors over age 70 ½ can make a direct annual transfer from a traditional IRA to a nonprofit of up to \$100,000, which is also known as a Qualified Charitable Distribution (QCD) and

exclude the distribution from taxable income. While the CARES Act waives the required minimum distribution (RMD) requirements for 2020, in future tax years, because the QCD qualifies to fulfill part or all of the RMD, a transfer from the IRA custodian directly to the nonprofit may reduce the donor's taxable income, making it in effect an "above the line" charitable contribution. This reduction in income may also help to prevent the donor's Medicare Part B and D premiums from increasing as they are tied to income.

- Donor may consider gifts of appreciated property, such as publicly traded securities and real estate. Appreciated gifts of long-term capital gain property to public charities qualify up to a 30% of AGI limit (lower limit may apply for gifts to Private Foundations). For those that do not itemize, they would not receive a charitable deduction for the gift, however may still have a tax benefit by avoiding the capital gain that would be recognized if the donated assets were sold.
- Donors may continue to take advantage of other types of planned gifts such as Charitable Remainder Trusts, Charitable Lead Trusts, Charitable Gift Annuities, Beneficiary Designations, Transfer on Death Designations and Bequests included in estate planning documents. These strategies, as well as other more complex planning tools, may be of interest to certain donors.

COMMUNITY FOUNDATION AND COMMUNITY RESPONSE TO COVID-19 PANDEMIC

Additionally, as the crisis unfolded, more than 350 U.S community foundations in 50 States, plus the District of Columbia created relief funds to support those affected by COVID-19. These funds have been directing critical relief to local nonprofits partnering with local governments and health organizations to help contain the spread.

To date, these efforts mobilized approximately \$724 million to help those in need across the country.* These initiatives have continued and will adapt to fund relief in this evolving crisis. Nonprofits may want to consider contacting local community foundations in their geographic area to review the criteria and process for applying for a grant.

For more information about the donor giving strategies discussed, please contact your Commerce Trust Institutional Relationship Manager. If you are not currently a Commerce client, but would like to discuss these topics, simply email Commerce Trust's Director of Nonprofit Services, Amy Pieper, at amy.pieper@commercebank.com.

*"Community Foundations Nationwide Launch Coronavirus Relief Efforts" Community Foundation Public Awareness Initiative, March 11, 2020. <https://www.commfoundations.com/blog/2020/3/11/community-foundations-nationwide-launch-efforts-to-help-communities-affected-by-the-coronavirus>.

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Lora is a senior advisor and relationship manager for institutional services for Commerce Trust Company. She is responsible for providing fiduciary and trust administrative capabilities to retirement plans, public and Taft-Hartley plans, foundations, and endowments. Lora works closely with our clients and provides advisory oversight on administrative matters impacting their relationship. Serving as the single point of contact for our internal team, she coordinates all client service deliverables, including the various day-to-day aspects of the trust relationship, client reporting requirements, portfolio reviews, and client inquiries. She also oversees the fringe benefit operations area. Lora joined Commerce in 1987 and has more than 25 years of experience working with institutional trust relationships. She has a Bachelor of Science degree in business administration from Fontbonne College. Lora received the Certified Retirement Services Professional designation from the Institute of Certified Bankers and has earned the designation of Certified Employee Benefits Specialist from the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania. Lora is a member of the St. Louis Employee Benefit Association and the International Foundation of Employee Benefit Plans. She serves on the United Way Mental Health & Substance Abuse Panel and the United Way Community Investment Committee. Additionally, she is on the board of The Women's Foundation of Saint Louis.



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