LEHIGH VALLEY COMMUNITY FOUNDATION

ADVISOR CONNECTION

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Moving a Commercial Donor-Advised Fund to the Community Foundation

As you advise clients on charitable giving, you're likely aware of the growing popularity of the donor-advised fund as a flexible, tax-efficient tool for philanthropy. Many families appreciate how donor-advised funds can streamline giving, foster family engagement, and serve as a launchpad for deeper community impact.

Recently, we've engaged with many professional advisors—attorneys, accountants, and financial planners—who work with clients utilizing community foundations in a variety of ways, ranging from contributing to important initiatives, supporting the community's foundation's operating endowment, making qualified charitable distributions from IRAs, or participating in foundation-hosted events that address critical local priorities.

Interestingly, we have discovered that some advisors were not aware that their clients had established donor-advised funds through national financial institutions. Although these clients are familiar with the Community Foundation, they simply did not know that a Community Foundation could help them in multiple ways, including establishing a donor-advised fund to support favorite charities. It's easier–and more beneficial–than you might think for your client to move a donor-advised fund to the Community Foundation! Here's what you need to know:

Tax and administrative advantages are the same

The Community Foundation offers donor-advised funds with the same tax and administrative advantages as national providers, including:

- Online access for clients to view fund balances, contributions, and grant history
- Simple grantmaking process to qualified charities
- Consolidated tax reporting, often with a single year-end letter for all contributions and grants
- Comprehensive back-office support for administration, tax receipts, recordkeeping, and compliance with 501(c)(3) requirements
- Favorable tax deductibility for contributions, including gifts of cash, securities, and other assets.

Continued

You've likely seen the extensive coverage of the "Big Beautiful Bill" (H.R. 1), which narrowly passed the House on May 22, 2025, by a vote of 215-214. The bill is now in the Senate, where substantial changes are expected over the coming weeks. Nothing is final yet, so it's too early to know exactly how your clients' tax or estate planning might be impacted. Here are the top three provisions that could affect charitable giving strategies:

1. Estate Tax Exemption: No More Sunset

The bill proposes to make the 2017 Tax Cuts and Jobs Act (TCJA) provisions permanent, including the enhanced estate tax exemption—originally set to expire at the end of 2025.

- Fewer clients will need to give charitably to avoid estate tax.
- Most charitable planning is driven by passion, not just tax benefits.

Background on the TCJA from the Tax Foundation

2. High Standard Deduction + Modest Universal Charitable Deduction

The bill locks in the elevated standard deduction from the TCJA and introduces a modest above-the-line charitable deduction for non-itemizers:

- $150 for individuals
- $300 for couples filing jointly

This might not fully offset the decline in itemized giving, but it signals a small step toward encouraging broader philanthropic participation.

Charitable deduction trends from Giving USA

Continued

Added Value at the Community Foundation

Unlike many national donor-advised fund sponsors, the Lehigh Valley Community Foundation offers a suite of high-touch, locally-informed services that can enhance your clients' philanthropic strategies, such as:

- Personalized service from staff experienced in structuring complex gifts (e.g., appreciated stock, real estate, closely-held business interests, estate gifts)
- Local expertise on community needs, nonprofit effectiveness, and high-impact grantmaking
- Opportunities for collaboration with other donors and access to educational forums featuring local and national experts
- Deep engagement in specific issue areas, including educational opportunities and hands-on involvement for clients and their families
- Impact measurement support to help clients track and communicate the outcomes of their giving
- Family and corporate philanthropy services to foster long-term, multi-generational charitable engagement
- Administrative fees that are reinvested in the community, supporting local operations and amplifying the community foundation's mission
- Direct access to local experts who can research and recommend causes aligned with your clients' goals
- Staff with deep community roots who maintain close relationships with nonprofit leaders and stay attuned to emerging needs

Trusted Partner | Local expertise | Personalized service | Impactful Support

What next?

The steps to transfer a donor-advised fund are surprisingly simple:

1. Work with the Community Foundation team to establish a donor-advised fund. Our straightforward, easy-to-complete paperwork makes it seamless and fast. Your client can mirror the terms of the existing donor-advised fund, or adjust successor advisors and legacy provisions based on their charitable intentions. Our team will walk through the process with you and your client.
2. Work with your client to request a grant from the national donor-advised fund provider. Depending on the provider, this can sometimes be completed all online. Designate the Community Foundation (and reference the new donor-advised fund if possible) as the grant recipient.
3. Your client may be able to grant the entire balance in one transaction. If not, most of the balance can be transferred to fund the new donor-advised fund, and you can work with your client to transfer the rest later.
4. Before closing the donor-advised fund at the national provider, your client should download grant history and contribution information for future reference and tax documentation. Note that transfers between donor-advised funds are tax-neutral; these transactions and not taxable events.

Pending Tax Legislation (continued)

3. Higher Excise Tax on Large Private Foundations

The bill proposes a steep increase in the excise tax on the investment income of large private foundations—from 1.39% to up to 10%, depending on asset size.

- Foundations under $50 million in assets are unaffected.
- This could discourage the formation of large foundations, while making donor-advised funds (DAFs) more attractive by comparison.

Private foundation rules overview from the IRS

What's Next?

The Senate begins markup this month, with final negotiations likely stretching into July or August. If passed, the bill will head to President Trump for signature.

We're here to help you guide your clients through whatever comes next. Please reach out anytime to discuss how your clients can continue to support the causes they care about—tax efficiently and impactfulness.

Contact the LVCF team if you'd like to explore options for donor-advised funds or other giving vehicles.

Work with Us

We look forward to working with you and your clients to make the most of their charitable giving, especially by establishing a donor-advised fund at LVCF to serve as the cornerstone of the client's charitable giving plan. With a donor-advised fund as a baseline, your client can begin to tap into all of the many ways the community foundation serves as a home for charitable giving, from strategic grant making to legacy giving and everything in between. Contact Maureen Wendling, Director of Donor Initiatives: maureen@lvcfoundation.org.