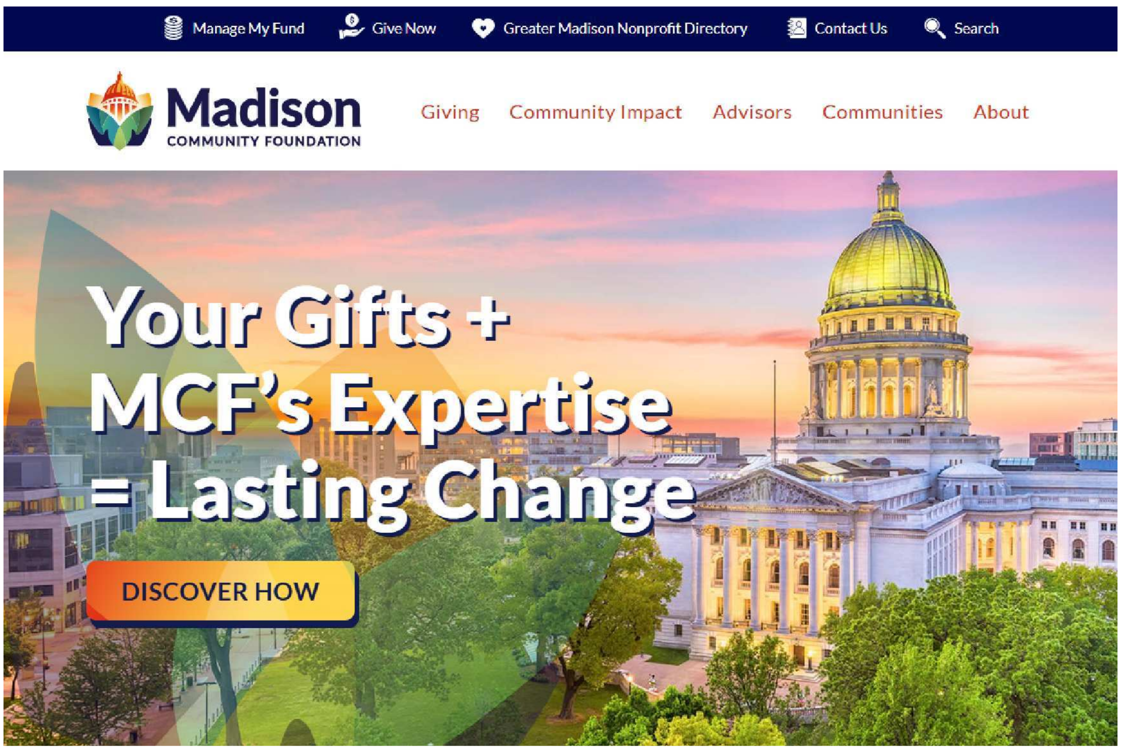
Madison COMMUNITY FOUNDATION

November 11, 2025 madisongives.org

Our New Website Is Now Live!



MCF's newly redesigned website is live! Our communications team has been working diligently over the past several months to make this a reality. This update is part of our continued effort to grow alongside and meet the needs of our donors, fundholders and grantees.

The refreshed design and improved layout make it easier to explore who we are, what we do and how you can get involved. We've built this site with our community in mind, and we hope it feels as welcoming and inspiring as the work we do together. We hope you enjoy!

The look of the site has changed but our URL remains the same, check out the new site at madisongives.org

Leaving a Legacy Through MCF is Easy and Flexible

LEARN HOW

MCF's Fund Inactivity Policy

Madison Community Foundation serves to engage Greater Madison in philanthropy to advance a more equitable and vibrant community. We carry this mission forward by providing donors the opportunity to establish different types of charitable funds, such as donor advised funds. Donor advised funds offer a flexible way for donors to recommend distributions throughout the year to the nonprofit organizations that align with their values.

When someone makes a gift to MCF to create a donor advised fund, but never recommends distributions from that fund, those gifts are not helping make a difference. So, in 2020, MCF’s Board of Governors adopted a Fund Activity Policy that provides guidelines on how frequently donor advised funds must make distributions. This policy ensures that donor advised funds remain active in supporting charitable needs in our community and enables MCF to remain in compliance with the National Standards for Community Foundations.

Putting Your Gifts to Work

Generally, MCF considers a donor advised fund active when the fundholder is recommending regular distributions or is communicating with MCF about their plans for distributions. If you have a donor advised fund, Examples of activities that keep a fund active include:

Regularly recommending distributions. As the fund advisor, you recommend distributions annually to qualified charitable organizations. The amount you distribute may vary from year to year, but the goal is to put the money to work in the community supporting the organizations and causes you value.

Fund Inactivity Policy continues on page 3

Advisors: Discover the Benefits of Charitable Remainder Trusts

Charitable remainder trusts (CRTs) can be great solutions for clients who want to gift assets to a nonprofit organization while providing income to themselves and their loved ones during their lifetimes.

Here are the basics on CRTs and the benefits they can provide to your clients:

What is a CRT?

A CRT is an irrevocable trust that pays an income stream to one or more beneficiaries for a set period. At the end of that period, any remaining assets in the CRT pass to the nonprofit organization designated by the person creating the trust. For example, a client could establish a CRT paying income to herself and her children during their lifetimes, with the remainder being paid to a fund at her local community foundation.

What are the benefits of establishing a CRT?

1. **Income Tax Benefits.** Since the transfer of assets to a CRT is irrevocable, clients establishing CRTs are typically eligible to take a charitable income tax deduction at the time they fund the trust. The amount of this deduction is equal to the present value of the charity’s future interest in the trust assets, and is calculated according to IRS-prescribed rules and interest rates.

CRTs can also provide clients with the opportunity to defer gain recognition on highly appreciated assets. If a CRT sells highly appreciated assets, capital gains tax is generally not triggered until the proceeds are distributed. This allows the CRT to reinvest the full amount of any proceeds it receives.

Benefits of CRTs continues on page 3

Fund Inactivity Policy
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Developing a giving plan. You may want to defer recommending distributions while working with MCF staff to develop a giving plan to meet your specific philanthropic goals. Options for giving plans include:

- **Future Giving Plan** – If you are focused on actively building your fund balance, you could create a future giving plan to support your grantmaking plans in the future.
- **Next Generation Giving Plan** – If you want to involve your children or grandchildren in your philanthropy, you might want to create a plan that will let you build the fund balance by making gifts during your lifetime and defer recommending distributions so you can leave a charitable legacy for the next generation to advise.
- **Special Project Giving Plan** – If you are planning to recommend a larger grant or series of grants for a specific project, you can set up a special project giving plan to defer making distributions for a time.

What Happens if My Fund Becomes Inactive?

The Foundation reviews donor advised funds every year to ensure compliance with our Fund Activity Policy and identify inactive funds. If you have not recommended any distributions or communicated with MCF about your plans for three successive years, MCF will attempt to work with you to reactivate the fund.

If the fund remains inactive for four years and MCF staff have been unable to connect with you, MCF has the option to make a distribution from the fund to qualified charitable organizations. If the fund remains inactive for five years and we have been unable to connect with you, MCF's Board may exercise its variance power to direct the fund resources toward meeting the community's needs (taking into account your original intentions, if you shared those with us) by making distributions from the fund to qualified charitable organizations.

In this way, MCF can ensure that these charitable funds continue to enhance the common good in our community. You can find our Fund Activity Policy here.

Benefits of CRTs
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2. Estate Tax Benefits. Because the transfer of assets to a CRT is irrevocable, clients creating CRTs will typically be able to exclude the value of those assets from their estate for estate tax purposes.

3. Charitable Giving Benefits. Clients establishing a CRT during their lifetime can achieve their goal of making a legacy gift to their selected nonprofit organization while still providing for themselves and other beneficiaries during their lifetimes.

What types of CRTs are available?

There are two main types of CRTs – charitable remainder annuity trusts (CRATs) and charitable remainder unitrusts (CRUTs). CRATs distribute a fixed dollar amount to the trust's income beneficiaries each year. CRUTs distribute a fixed percentage of the asset value (totaling at least 5% annually) to the trust's income beneficiaries each year. While clients can make additional contributions to a CRUT during their lifetime, they cannot make any additional contributions to a CRAT.

Benefits of CRTs
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What is the difference between a CRT and a Charitable Gift Annuity (CGA)?

CRTs and CGAs both give clients the opportunity to make a legacy gift to their selected nonprofit organization while receiving payments during their lifetime. However, CRTs are standalone trusts, while CGAs are annuity agreements entered into by a donor and a nonprofit organization. Since creating a CRT requires legal expertise and customized drafting, the cost associated with creating a CRT is usually higher than the cost associated with establishing a CGA.

What types of clients would be the best fit for a CRT?

While each client's situation is different, clients who are good candidates for a CRT usually have the following attributes:

- They would like to create a legacy benefitting certain charitable causes.
- They have highly appreciated assets and are interested in seeing those assets diversified in a tax-efficient manner, even if it means relinquishing control over them.
- They would like to receive income for themselves or their beneficiaries over a period of time.
- They have a taxable estate.
- They are comfortable engaging in more complex estate and gift planning.

Need additional assistance?

If you or your clients have additional questions about making gifts to MCF, we would be happy to help! Alison Helland, Director of Donor and Advisor Engagement, can assist you or refer you to another member of our Donor Engagement team to serve as a resource for your specific situation. You can reach Alison via e-mail at ahelland@madisongives.org or via phone at 608-446-5937.

Please note that this article has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice.

Have an idea for a story?
Have exciting news you'd like to share?
Join the conversation!

One Big Beautiful Bill Act - Three Insights for Philanthropy

The One Big Beautiful Bill Act was signed into law by President Trump on July 4, 2025, after the House of Representatives approved the Senate's changes to H.R. 1, which passed the House by a narrow margin in May.

The OBBBA, with nearly 900 pages of provisions, reshapes policy across major sectors of the U.S. economy. While the proposed increase to the net investment tax on private foundations that appeared in earlier versions was removed, the OBBBA does include several provisions that affect philanthropy.

Three major takeaways are of particular importance to anyone trying to navigate charitable planning opportunities over the months and years ahead.

1: OBBBA increases the standard deduction and further limits charitable deductions for those who itemize.

The new law makes permanent the standard deduction increases under the Tax Cuts and Jobs Act of 2017, increasing the standard deduction for 2025 to $15,750 for single filers and $31,500 to taxpayers who are married and filing jointly.

What's more, under the new law, people who itemize can take charitable deductions only if those deductions exceed 0.5% of their adjusted gross income. Furthermore, taxpayers in the top bracket can only claim a 35% tax deduction for charitable gifts instead of the full 37% that would otherwise apply to their income tax rate. Note also that the final bill permanently extended the contribution limitation for cash gifts made to certain qualifying charities at 60% of adjusted gross income.

OBBBA Insights for Philanthropy
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What does this mean for charitable giving?

With even fewer taxpayers eligible to itemize thanks to the increased standard deduction, and deductions capped for high-income earners, we're likely to see a continuation of the chilling effect on charitable giving that occurred in the wake of the Tax Cuts and Jobs Act.

What can you do?

If you regularly support nonprofit organizations, it's important to continue to do even if you're not you're benefiting from a tax deduction. Our community needs you, now more than ever. Philanthropy can remain an important priority for many families outside any tax benefits their giving might provide.

2: OBBBA introduces a charitable deduction for nonitemizers.

The new law includes a provision, effective starting in 2026, allowing taxpayers who don't itemize to take a charitable deduction of $1,000 for single filers and $2,000 for taxpayers who are married and filing jointly. As has been the case in the past, gifts to donor advised funds are not eligible.

What does this mean for charitable giving?

After the TCJA went into effect, households that itemize deductions dropped to less than 10%. Parallel to this trend, the number of U.S. adults who give to charity in any given year has dropped over the last 20 years from nearly two-thirds to less than half, according to some studies. Against this backdrop, this new deduction for nonitemizers has the potential to increase charitable giving among a significant number of households.

What can you do?

Whether you itemize or not, now is the time to take a serious look at your charitable giving plans and determine how you're going to support the causes you care about over the years ahead. We'd be happy to help make a plan that supports the organizations and causes that you choose, and even explore how to accomplish other philanthropic goals, like getting your children and grandchildren involved.

3: The higher estate tax exemption will not sunset.

Under the OBBBA, the TCJA's increase to the estate tax exemption will not sunset at the end of 2025, ending the uncertainty for taxpayers updating financial and estate plans. The new law makes permanent the increase in the unified credit and generation-skipping transfer tax exemption threshold.

The 2025 exemption is $13.99 million for single filers and $27.98 million married taxpayers filing jointly. In 2026, these numbers increase to $15 million and $30 million respectively.

What does this mean for charitable giving?

Purely estate tax-based incentives to give to charity continue to apply only to the ultra-wealthy, likely resulting in a continuation of the taxpayer behavior triggered by the TCJA. In other words, most people will give to charity during their lifetimes and in their estates for reasons other than a tax deduction.

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What can you do?

There is no guarantee that the estate tax exemption will stay high forever. As families work with their tax and estate planning advisors, many are viewing the next two years as an important window to plan ahead. The upshot of the new law is that high net-worth taxpayers now have more time to thoughtfully consider estate planning strategies, including charitable giving.

Need additional assistance with your charitable giving? If so, MCF would be happy to help! Please contact our Donor Engagement team at legacy@madisongives.org or 608-232-1763.

Please note that this article has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice.

Upcoming Dates to Remember

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Annual Advisor Seminar
Please join us for our annual advisor seminar, "Planning Strategies for a Shifting Tax Landscape," on Wednesday, August 13 from 2:30 p.m. to 5 p.m. at Monona Terrace with featured speaker Professor Sam Donaldson.

Register for this complimentary event!

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Save the Date: Legacy Luncheon
MCF's annual luncheon celebrating the impact of our legacy society members will be Thursday, September 18 at the Overture Center. More details to come.