



# Eye on Philanthropy at Planned Giving Council of Palm Beach County

## Message from the President.

It has been a great season at the Planned Giving Council! I would like to thank our 2018-2019 Board for all of their hard work to make this a successful year of programs. Our 2019-2020 Board is in the process of planning our upcoming season of speakers and topics. We hope you will join us again as we come together to expand our knowledge and enjoy the fellowship each month. Have a wonderful summer, and we will see you in September!



**Robin King**, President of Planned Giving Council of Palm Beach County

## 2019 -2020 MEETING DATES

All meetings take place at The Embassy Suites Hotel, 1601 Belvedere Road, WPB - Breakfast & Meeting

- September 10, 2019
- October 8, 2019
- November 12, 2019
- December 10, 2019\*
- January 14, 2020
- February 11, 2020
- March 10, 2020
- April 14, 2020
- May 12, 2020

\*December will be an evening holiday event at Peggy Adams Animal Rescue League

MARK YOUR CALENDARS

This Newsletter is Sponsored by:  
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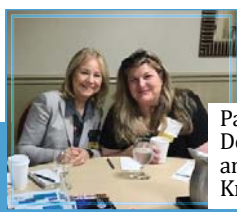
"Don't forget to visit us on our website,

[www.PalmBeachPlannedGiving.org](http://www.PalmBeachPlannedGiving.org)

see back for more info



Tricia Trimble, Barbara Coombs Lee and Laurie Carney



Pat Deshong and Curry Krasulak



Kati Erickson and Amy Brand

## MARCH MEETING

Speaker Barbara Coombs Lee, President, Compassion & Choices, Denver, CO  
Topic: "Life & Legacy: Having Comfortable Conversations About End-of-Life Decisions and How This Can Lead to a Legacy Gift".



Lisa Bebout, Jon Sahn, Anthony Lourido and Janet Shamblin

## APRIL MEETING

Joint Meeting with AFP  
Speaker Arlene D. Schiff, National Director, Life & Legacy  
Topic: "Why Legacy, Why Now? Establishing Your Organization's Legacy Plan" This Can Lead to a Legacy Gift".



Speaker, Arlene Schiff enjoys her time with attendees

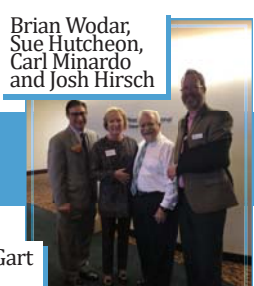


Lisa Huertas, Carl Minardo and Carolyn Rose

Elizabeth Truong and Kelli Jacobs



Michael Cozene, David Gart and Peter Bono



Brian Wodar, Sue Hutcheon, Carl Minardo and Josh Hirsch



# THE how



## So, What Does a Nonprofit's Parking Lot Have to Do with Its Tax Return?

Prior to the 2017 Tax Cut and Jobs Act a nonprofit could provide employee parking as a fringe benefit – nontaxable to employees and deductible by the nonprofit. Beginning January 1, 2018, the nonprofit no longer may deduct employee parking – neither the amount paid to a third party to rent an employee parking lot nor the costs of owning its own employee parking lot (IRC 274(a)(4)). Additionally, to the extent employee parking is nondeductible, the nonprofit will have unrelated business income subject to tax at a flat rate of 21% (IRC 512(a)(7)). Many nonprofits, who previously did not have to worry about the unrelated business income tax, will have to file a tax return, Form 990-T, to reflect this unrelated business income and pay the tax.

Even a nonprofit's employees will be affected. While up to \$265 in 2019 per employee per month of transportation fringe benefits remain nontaxable to the employee, to the extent this amount is exceeded, the excess is taxable to the employee as part of W-2 wages. The nonprofit will have a deduction for any amount included in an employee's wage. The nonprofit will not have unrelated business income nor unrelated business income tax on any amount included in the employee's wage.

Under the new law, the nonprofit faces the daunting task of determining the amount of employee parking expense. It is a straightforward calculation if the nonprofit pays a third party for employee parking. However, if the nonprofit owns the lot, there are various calculations based upon employee usage, visitor/public usage, signage, etc. Together with the 21% on unrelated business income for employee parking and the determination of the actual cost of employee parking, many nonprofits will find their already scarce stretched even more.

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# why

All over the country, there are distressed communities that need investment. But except for the occasional local charity, there really hasn't been a straightforward way for individuals and nonprofits to invest in these neighborhoods in need, until now. Today, there's Opportunity Zones.

Last year's Tax Cuts and Jobs Act contained a provision that should be on the radar screen of every investor, philanthropist, nonprofit, and community leader in the country: the creation of Opportunity Zones. The promise of the legislation behind the newly created Opportunity Zones is to positively transform designated low-income communities by attracting private capital that might not otherwise be invested in such communities.

## What Is the Opportunity? Where Are the Zones?

To attract the investment, the legislation offers compelling income tax incentives. Individuals or corporations can defer paying income taxes on recognized capital gain by rolling it into a Qualified Opportunity Fund (QOF) within 180 days of selling the appreciated asset. Provided the QOF meets the investment requirements, the gain is deferred until the earlier of when the investment in the QOF is sold or the end of 2026. Partial elimination of the deferred gain is possible if the investment is held long enough—if held for five years, 10% is eliminated, increasing to 15% if held for seven years. Additionally, any appreciation from an investment that's held in the QOF for at least 10 years is permanently exempt from taxes. The full suite of tax incentives can significantly enhance the after-tax return profile of a QOF investment compared to a comparable non-QOF investment (Display 1).

### After-Tax Return Advantage on \$100 Reinvested Gain



Source: AllianceBernstein (AB)  
After-tax return projections assume the following: 1) long-term capital gains tax rate equals 23.8%, 2) QOF investment made within 180 days of recognizing \$100 capital gain, 3) compound annual growth rate of 10.0% over the period specified consisting entirely of capital appreciation, and 4) investment is held for the specified period and then liquidated. \*Gain\* is defined as long-term capital gain. \*QOF\* is defined as a fund that satisfies all requirements of Section 1400Z-2(b) of the Internal Revenue Code of 1986, as amended. Data does not represent past performance, and is not a promise of actual future returns.

The legislation permits state governors to designate up to 25% of low-income census tracts in their states as Opportunity Zones. The Treasury Department finalized the designated zones in June for all states.

The selected zones have a total population of 31 million, where half of the people are minorities. The poverty rate is around 31%—the median family income is only 59% of the median for the surrounding area, and the average unemployment rate is over 14%, with many having a rate that is more than 1.5 times the national average. The zones are equally split between urban and rural areas, with fewer suburban regions.

## An Opportunity for Philanthropists and Nonprofits, Not Just Taxable Investors

There is an estimated \$6.1 trillion in unrealized capital gains held by US households and corporations. Philanthropists and nonprofits have an enormous incentive to help shape how this capital is deployed and perhaps leverage additional complementary investments and resources for these communities as well.

# An Opportunity to Do Good

Investing for positive social and environmental impact in underserved communities, in addition to financial return for the investor, is by no means a new concept—particularly among community foundations, nonprofits, and other philanthropies with missions focusing on specific geographic areas. This type of investing can be an inordinately expensive and labor-intensive endeavor if the structure, expertise, and economies of scale are not already in place. In many cases, however, philanthropies simply don't have the internal capacity required to successfully and sustainably invest in this way. The creation of Opportunity Funds eliminates this hurdle, and provides a vehicle for many tax-exempt entities to further leverage their resources.

Further, certain investments made by a private foundation may qualify as Program Related Investments (PRIs), whereby all or part of the invested funds count toward the annual 5% distribution requirement. This could be helpful in a year where a foundation that, due to a sudden inflow of capital or other reasons, is not prepared to deploy the full required 5% of the investment portfolio's corpus.

The primary purpose of investments in distressed communities is to accomplish one or more of the foundation's exempt purposes, so production of income or appreciation of property is not intended to be a significant driver. The cost and complexity of structuring such an investment may be prohibitive for an individual foundation, but Opportunity Funds may provide pathways for foundations to perhaps elect a lower-than-market rate of return and qualify its investment as a PRI in this way. So while nonprofits do not receive the tax advantages of private investors, they certainly achieve mission synergy and some expectation of financial return.

Finally, this period of development of Opportunity Funds presents an opportunity for a diverse mix of community stakeholders to provide input and guidance on a collective vision for success. This may include complementary programs such as targeted job training, childcare, and other services that best position residents of the designated zones to benefit from an influx of private investment.

## What's Next?

Numerous questions remain. What are the certification requirements for a QOF? How long can eligible capital sit in a QOF before it must be invested? Can capital be recycled in one QOF through multiple investments? Will states apply the same tax breaks?

The Opportunity Zone program holds a lot of promise, but there are many aspects of the legislation that require guidance before it can really take off. The IRS and Treasury Department have indicated that providing this guidance is a high priority, and state and local governments are in the process of legislating their own rules. The clock is ticking on the program, and investors and community stakeholders are eagerly waiting and watching.

For more on timely topics for nonprofits, explore "Inspired Investing", a new Bernstein podcast series that covers investing, spending, policy and more for Endowments & Foundations, and for additional thought leadership, check out the related blogs here.

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## Membership Minute

**Calling All Colleagues!** Do you know a colleague that could benefit from our meaningful meetings? If so, please reach out to invite them to join Planned Giving Council. We would like to continue to grow our organization. For more information contact Sherry Schattie at Admin@PalmBeachPlannedGiving.org (561-818-3158) or Dimitri Chimerakis at Dimitri.Chimerakis@MorganStanley.com



VISIT US ON THE



**PGC Website**  
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