



SEATTLE
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Creative Tax Planning Through Philanthropy

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DISCLAIMER!

- I am not a CPA...!
- I went to school for public policy + have worked in nonprofits, philanthropy, and gift planning for about 15 years
- The examples I will give are designed to be illustrative and do not constitute legal, tax, or financial advice

Agenda

- Why are people charitable?
- Federal charitable deduction basics
- Why asset-based giving is the future (...which is now)
- What the heck is happening in the Washington + federal tax landscape when it comes to charitable giving?!
- Looking Beyond DAFs & Bunching – creative, “201” strategies to explore with clients



A TASTE for Charity

Motivation	Definition	What It Sounds Like In Practice
Trust	Seeing charities properly use donations for the public good; belief in the nonprofit sector as trustworthy.	"I know these organizations are going to do good with the money I donate."
Altruism	Concern or compassion for those less fortunate.	"People need help and I want to contribute." "It is good to help others."
Social Benefits	Nonmonetary benefit; being a part of a community/social network.	"People like me give to nonprofits." "I am recognized by others when I give back."
Tax Benefits	Monetary private benefit.	"When I donate, I avoid or reduce my taxes."
Egoism	Enhancing personal reputation, experiencing good self-esteem.	"Donating to charity makes me feel good."
Constraints	Limitations on charitable giving based on perceived or actual constraints.	"I can't afford to give to charity."



**Taxes – they get you
in the door, but
they're usually not
the whole story.**

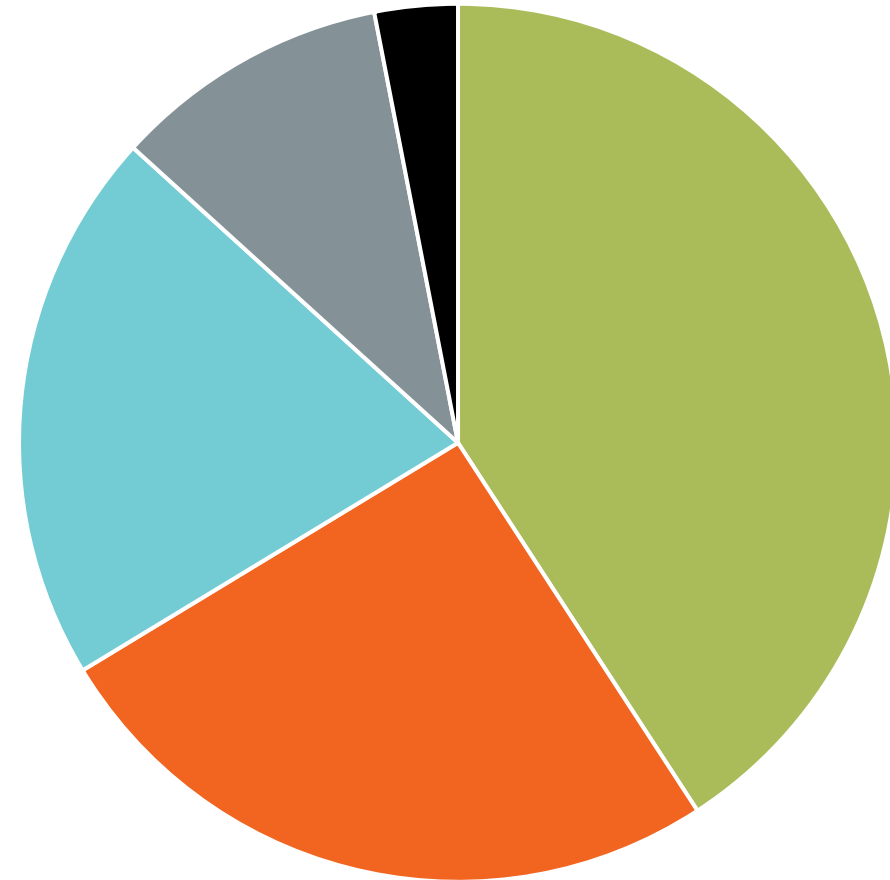
Federal Deduction Basics

- Reduce taxable income by donating to qualified 501c3 organizations
 - *A note on private foundations...*
- Generally, you must itemize on Schedule A (Form 1040) to claim**
- Deductions are limited to specific percentages of AGI (see your handout)

***For non-cash gifts, Forms 8283 and 1098-C may play a role, depending on the property type and value of the property.*

Cash is NOT King!

Composition of Assets for Wealthy Households *(per Federal Reserve)*



- Public Equities
- Private Business Equities
- Real Estate
- Retirement
- Cash

**What happens
when you give
non-cash
assets?**

- You tap the greatest source of wealth...!
- Capital gain property receives a FMV deduction AND eliminates capital gains tax if donated to a public charity
 - This is NOT true for donations to private foundations (deduction is only for adjusted cost basis)
- You create creative opportunities for tax, financial and estate planning that can achieve some of your client's highest aspirations in life

Other Important Qualifiers for Deductibility

- Record keeping
- Timing of gifts
- ~~Quid Pro Quo~~
- Common mishaps we see:
 - Memberships
 - Sponsoring tables
 - Bifurcated gifts out of a DAF (part is tax deductible, part isn't)
 - Donations to private foundations (specifically, confusion over operating and nonoperating)

What's new for 2026 in the tax landscape?

The AGI Floor

Beginning in 2026, new rules will include a 0.5% of AGI "floor" for itemized deductions... meaning only donations exceeding 0.5% of your AGI are deductible.

What does this mean? For clients who might expect a deduction from a few smaller gifts, but have a higher .5% floor, consider **bunching** to hit the threshold and maximize giving and spread out grants to nonprofits via a DAF.

The Deduction Value Capped for High Earners

The deduction value for high earners (37% bracket) is capped at 35%.

What does this mean?

Recognize and plan ahead, especially for highly charitable clients who are used to making large gifts directly to charity or to a DAF. How might other forms of gifting, such as c4 gifts, reach their impact goals?

Estate Tax Whiplash

Estate tax increase from 2025 was reversed – so now the top tax rate is 20% (as of deaths happening on or after July 1). The exemption amount is still \$3mil.

What does this mean? Although the rates have dropped, the \$3mil exemption still impacts many Washingtonians. Giving through an estate plan or engage in lifetime giving strategies, or consider a charitable lead trust to combine impact with transfer to the next gen.

The Millionaire's Tax

NEW with projected rollout in 2028 – the Millionaire's Tax, a 9.9% flat tax on Washington income over \$1mil.

What does this mean? The deduction for the TMT is the same as for WA cap gains – organizations principally managed and directed in Washington state. ⚠️

Watch out! Many advisors missed/misunderstood this provision with WA cap gains.

Deep Dive: Understanding Washington Capital Gains Tax





- Amelia is 42-year-old tech employee
- Needs to liquidate some of her long-term cap gain stock
- Wants to give to reproductive rights causes
- Stock is valued at \$1mil, cost basis \$50k
- ***What should Amelia do to meet her goals?***

⚠ Even gifts to DAFs must go to organizations principally managed and directed in Washington state to qualify. ⚠

Meet Amelia: A WA Cap Gains Story



- CRTs with real estate...!
 - Why do this?
 - How does it work?
 - Fun planning tip: CRT > DAF
- CLTs and navigating estate taxes
 - Why do this?
 - How does it work?

Beyond DAFs and Bunching: Consider Charitable Trusts



- Go back to TASTE!
- What else is factoring in... trust, altruism, social benefits, ego?
- What constraints is your *client* identifying compared with what *you, the advisor*, are identifying?
- Examples of not acknowledging TASTE gone wrong...
 - Real estate gift vs. CRT gridlock
 - A CLAT or a DAF? ... Neither?

PAUSE: Why is your client giving?

How to slow things down, and get it right.



**Review the
handout.**

(I hope it helps!)

Ask for help!



**Ask yourself AND
the client... what
does a win really
look like?**

Sources Cited + Further Reading

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Thank You! . . . Questions?

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