

Community Foundation or Private Foundation

Advantages To Creating A Component Fund Within The Community Foundation

	Community Foundation	Private Foundation
Organization	Established	Must establish
Status	501(c)(3) tax status and 170(b)(1)(A)(vi) public charity	Must establish
Funds Required	\$500 to create	More substantial funding required
Time to Establish	One hour or less	Time-consuming process
Payout Requirements	None	5% annual payout of assets
Excise Tax	None	1%-2% of net investment income including capital gains
Legal/Accounting Services	Provided	May need to obtain
Office/Staffing	Provided	May need to obtain
Tax Returns/Audit/ Public Disclosure	Provided	Need to provide
Director's Liability	Covered	May need to obtain
Monitoring of Investments	Provided	Need to provide
Monitoring of Regulatory Changes	Provided	Need to provide
Donor's Role in Selection of Grantees	Donor's role determined by type of fund created. Background checks on charitable status of grantees provided.	Donor specifies grants and has more control, yet donor must research and document charitable status of grantees.
Grants for Civic Emergencies, New Organizations, Self-Help Groups	Background checks to determine charitable intent of activity	Must meet series of statutory and regulatory requirements
Awards to Individuals	Allowed through Scholarship Program already in place. Not allowed through	Must seek approval from IRS for such grants. obtain pre-

	Advisory Funds.	grant and post-grant reports from recipients, and submit requests to IRS.
Redirection of original gift whose purpose has become obsolete or incapable of fulfillment	Provided through Variance Power	In cases of trusts and charitable bequests, direction may be needed from the courts through judicial cy pres action
Public Recognition	Grants awarded in donor's name or anonymity provided upon request.	Must provide or rely on grantee organization. Anonymity not permissible.
Governing Board	Automatic provision for board renewal	May experience difficulty in bridging the generations
Income Tax Deductibility by Individual	<p>The deduction for charitable contributions of cash or property cannot exceed 50% of adjusted gross income (AGI). Property is valued for contribution deduction purposes at fair market value (FMV). However, FMV cannot exceed donor's cost except in case of "long-term capital gain property" as described below.</p> <p>Property, the sale of which would result in a long-term capital gain, can be valued at FMV even if that value exceeds cost. However, in that case, deduction is limited to 30% of AGI. The 50% of AGI limit can be elected if donor chooses to value long-term capital gain property at lesser of cost or FMV.</p> <p>Donor avoids capital gain tax on appreciation Special rules apply to contribution of tangible personal property Unused deductions may be carried over for 5 years</p>	<p>Deduction for charitable contribution of cash or property to private foundations – other than foundation described in Code section 170(b)(1)(E) – is limited to 30% of AGI. Property is valued at lesser of FMV or cost except in the case of "publicly traded stock" which may be valued at FMV provided the sale of that stock would result in a long-term capital gain to donor. The deduction for contribution of "publicly traded stock" is limited to 20% of AGI.</p> <p>Donor avoids capital gain tax on appreciation Special rules apply to contribution of tangible personal property Unused deductions may be carried over for 5 years</p>