



Ten Reasons to Establish a Community Foundation Fund

- 1. A community foundation fund is easy and inexpensive to establish.**
A private foundation requires a donor to create a new organization, apply for tax-exempt status, pay filing fees and incur legal and accounting expenses.
- 2. A gift of cash to a charitable fund allows a tax deduction of up to 50% of a donor's Adjusted Gross Income (AGI) compared to a 30% deduction for a gift to a private foundation.**
- 3. By creating a charitable fund, a donor may deduct gifts of closely held, long-term appreciated stock at its fair market value, up to 30% of AGI.** The same gift to a private foundation may only be deductible at the cost basis of the stock, up to 20% of AGI.
- 4. No tax is imposed on the investment income of a charitable fund because it is part of a public charity.** A private foundation pays up to 2% federal excise tax on investment income and net realized capital gain.
- 5. A community foundation donor may remain anonymous.** A private foundation must make the name and address of any substantial contributor publicly available.
- 6. There are no minimum distribution requirements for a charitable fund at a community foundation.** A private foundation must annually distribute at least 5% of its net investment assets, regardless of whether the amount is earned.
- 7. There are fewer restrictions on a charitable fund.** Strict regulations limit self-dealing between those who manage, control or contribute to a private foundation and persons or corporations closely related to them. For example, a private foundation, along with its donor and other "disqualified persons" (including members of the board and staff) may not hold more than 20% of a related corporation's voting stock.
- 8. There are fewer investment restrictions on a community foundation's funds.** For example, a community foundation may hold more than a 20% ownership in a particular corporation, but private foundations may not.
- 9. There are fewer IRS reporting requirements on community foundation grants and funds,** and requirements that do exist are handled by the foundation's staff at no extra charge to individual donors.
- 10. Charitable gifts to a community foundation fund are almost always considered "public support"** and help the recipient organization retain its public charity status. A private foundation grant is usually not considered "public support" in its entirety and may not be as helpful to the recipient charity in retaining its public charity status.