

How a Named Community Foundation Compares to a Private Foundation

	Community Foundation Fund in Your Client's Name	Private Foundation
IRS charitable status	501(c)(3) & 509(a)(1) (public charity)	501(c)(3) (private foundation)
Tax treatment of cash gifts	Deductible, up to 50 percent of adjusted gross income (AGI).	Deductible, up to 30 percent of AGI.
Tax treatment of gifts of appreciated publicly-traded securities	Full market value deductible, up to 30 percent of AGI.	Full market value deductible, up to 20 percent of AGI.
Tax treatment of closely held stock or real estate	Full market value deductible, up to 30 percent of AGI or cost basis up to 50 percent of AGI.	Deduction limited to donor's cost basis, up to 20 percent of AGI.
Deduction carry-over available	Five additional years	Five additional years
Ease of establishment, incorporation and tax exemption	No corporation or trust required. Automatically covered by the Community Foundation's tax exempt status	Corporation or trust required. Must apply to IRS for tax-exempt status using Form 1023. (May take six months or longer to process)
Excise tax on investment income and net realized capital gains	None	Generally 2 percent; may be reduced to 1 percent under special circumstances.
Self dealing rules	Not applicable	Strict prohibition under Internal Revenue Code (IRC) Section 4941.
Minimum payout requirements	None. Can accumulate toward a sizable project or grant or reduce giving in a year when returns are low to protect principal.	Yes. Minimum 5% of average asset value each year under IRC Section 4942. Must meet the minimum distribution rules whether or not the foundation's investments earn that amount in a given year.
Donor and family can choose to be involved in grantmaking	Yes	Yes
Separate annual IRS tax return required	No	Yes

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Privacy	Yes. Individual fund assets size, gifts and grantmaking are kept private and confidential. No public disclosure is required. Donors are generally recognized for grants disbursed, but can remain anonymous with Community Foundation serving as the buffer.	No. Private foundations are required to file detailed tax returns on grants issued, investment fees, trustee fees, staff salaries, asset size, etc. and to publish a notice that the return is available for public viewing (IRS Form 990-PF). These public records are often compiled into grant-seeker directories.
Investment, accounting, audit and tax returns	The Foundation handles all investments and accounting, files annual tax return and provides annual independent audit.	Trustees must perform, contract or hire staff for these services.
General administration	Community Foundation handles all financial and administrative management.	Trustees must perform, contract or hire staff for these services.
Grant administration	If donor wishes, Community Foundation can identify potential recipients, investigate applicants, make grant payments and monitor performance.	Trustees must perform, contract or hire staff for these services.
Insurance	Advisors to funds are covered by Community Foundation liability and office insurance policies. Only fundraising events and other activities will require insurance.	Liability insurance for directors and officers, employee bonding, and office insurance must be purchased.