

## What is an LLC?

- Short for “limited liability corporation,” an LLC is a for-profit business structure increasingly used by wealthy donors.
- Not tax-exempt, and funders don’t get a tax deduction for putting money into it.
- Flexible—allows owners to make tax-deductible contributions to 501(c)(3)s as well as engaging in political giving and for-profit impact investing.
- No payout requirements.
- Can offer donors more privacy around their giving.

An LLC is a business structure that some donors are opting to use in their philanthropy. LLCs allow philanthropists to move money for charitable, political and for-profit activities through a single entity. Proponents like the flexibility and the ability to impact issues they care about on multiple fronts, without payout requirements or the need to publicly disclose their tax records. Some of the biggest names in philanthropy—such as Mark Zuckerberg and Priscilla Chan, Laura and John Arnold, Laurene Powell Jobs and Pierre Omidyar—are among the prominent donors who have chosen to do their giving through LLCs.

Unlike with a foundation or DAF, the money a funder puts into a philanthropic LLC is not tax-deductible, and the LLC is not tax-exempt. But LLCs offer a lot of flexibility that foundations don’t.

Through an LLC, donors can make grants or gifts to 501(c)(3) nonprofits, which they can deduct as charitable contributions on their personal tax returns. LLCs are “pass-through” entities, which means owners get some protection against liability compared to simply writing checks out of their personal accounts, but they report any profits—or tax-deductible contributions—on their personal tax returns.

They can also make (non-tax-deductible) gifts to individuals. A huge difference from foundation giving is that LLCs can more freely engage in political giving—giving to



501(c)(4)s as well as directly funding lobbying, political campaigns and even individual candidates and ballot initiatives. LLCs can also invest in commercial ventures—for example, innovators in renewable energy—and then choose what to do with any profits. (Because LLCs are not tax-exempt, any income will be taxed.)

LLCs have no payout requirements and they also don't have to disclose their tax returns the way foundations do.

#### **You may also want to check out:**

- What can—and can't—philanthropy do in terms of politics, policy, and advocacy?
- What is the difference between a 501(c)(3) and c4?

