

Kern Community Foundation

Donor-Advised Funds or a Private Foundation

There can be substantial advantages for the Donor by establishing a Donor-Advised fund at the Community Foundation, rather than forming a Private Foundation. Following are some of the principal comparisons.

Comparing...	Private Foundation	Community Foundation
Set-Up Procedure and Costs	Must incorporate and apply to IRS for tax-exempt status, with resultant legal and accounting expenses.	A simple agreement to set up a Donor-Advised Fund, no start-up fees or costs.
Tax Treatment, Contributions	Current year tax benefits are limited to 30% of taxpayer's adjusted gross income for cash gifts and 20% for gifts of appreciated property.	Current year tax benefits are 50% of taxpayer's adjusted gross income for cash gifts and 30% for gifts of appreciated property.
Contributions, Appreciated Property	Federal income tax deduction for appreciated property gifts are generally limited to taxpayer's basis, except for appreciated securities. California state income tax deduction is limited to taxpayer's basis for all gifts of appreciated property.	Federal and California state income deduction for appreciated property gifts may be taken at 100% of fair market value.
Federal Excise Taxes	2% of investment income, paid annually.	No excise tax paid on investment income.
Investment, Audit, Accounting, Tax Returns	Foundation principals, or hired staff, required to accomplish financial, administrative procedures, and reporting. Annual filing of Federal 990-PF tax return, at minimum.	Community Foundation provides all financial and administrative management, files annual tax return and provides annual independent financial audit.
Liability Insurance	Any required Directors & Officers Liability Insurance, employee bonding, and other required insurance coverage must be purchased.	Liability and other required insurance coverage provided by Foundation. No cost to Donor.
Grant Payout, Requirement	Required to distribute/grant minimum of 5% of foundation assets annually, to avoid penalty taxes.	No payout/distribution requirement. Income may be accumulated for sizable project or large grants.
Grant Management	Required to accurately verify charitable status of each recipient organization.	Community Foundation verifies charitable status of recipient organizations. Donor has access to Foundation staff's knowledge of community needs and grant making expertise.
Privacy Factors	Required tax returns on grants, investment fees, staff salaries, etc, are of public record and may be compiled into grant seeker directories.	Identities and/or grants may be kept private if Donor wishes. Foundation will serve as intermediary between Donor and grant seekers, if require.

IMPORTANT COMPARISON FEATURES TO NOTE:

The "control factor" remains the same...whether funds are transferred to a Donor-Advised Fund at the Community Foundation or to an established private foundation.

In either case...in order for the Donor to receive a tax deduction as a result of giving...one must in-fact relinquish control of the funds...so that they become the property of the entity that will apply them to charitable purposes.

In summary....by establishing a Donor-Advised Fund with the Community Foundation, the Donor receives the appropriate tax deduction....may be virtually as involved as he or she may wish in recommending grants to fulfill objectives....and will accrue ZERO administrative responsibilities or report filing.