

# Comparing Charitable Options



|   |   | DONOR ADVISED FUNDS  | FISCAL SPONSORSHIP   | SUPPORTING ORGANIZATION*   | PRIVATE FOUNDATION   |
|---|---|--|--|--|--|
| Overview                                    | Definition  | Charitable giving vehicle administered by a charity, created to manage charitable donations and grantmaking on behalf of individuals, families or organizations.                                     | A contractual relationship that allows a person, group, or business to advance charitable activities, benefitting from the sponsor organization’s tax-exempt status. Projects can include a wide variety of administrative activities such as hiring personnel, launching fundraising campaigns, and paying vendor expenses. | A nonprofit organization created as an affiliate of a supported organization. While it maintains its own tax ID number, the supporting organization is covered under the supported organization’s tax-exempt status.   | An independently organized nonprofit organization, created to support an individual, family or organization’s philanthropy or estate planning.   |
|   | Best option for   | Flexibility and efficiency in pursuing a range of philanthropic goals through a single giving vehicle — with immediate tax advantages for most donors.   | New, experimental, incubating projects requiring administrative and financial management support.  | Incubating independently organized nonprofit organizations or for those seeking active involvement in their giving — without the associated costs, taxes, and legal and administrative obligations of a private foundation.  | Philanthropists wishing to retain full legal, administrative and financial control over their charitable activities and involve their families and multiple successor generations.   |
| Start-Up                                    | Start-up considerations   | Established through a simple agreement and the donation of an establishing gift; can be set up quickly.  | Created through a fiscal sponsorship agreement with the sponsoring organization, which may include proposal submission. Can be set up quickly.   | Must apply for tax exempt status as a 509(a) public charity. Can take several months, with the applicant bearing start-up costs and legal fees.  | Must apply to IRS for tax-exempt status. Typically requires a significant investment, including substantial legal and administrative fees. Can take several months to establish.   |
| Governance, Control and Privacy             | Control   | Assets contributed are legally under the control of the receiving charity or fund sponsor. However, donors can recommend grants and investment management approaches for the donated assets.         | The sponsoring organization has ultimate control, but much of the authority is often delegated to the advisory committee and project director.   | Depending on the type (1, 2 or 3) of supporting organization, the donor may recommend members to the board of directors; however, the supported organization exercises ultimate control. Board of directors makes all grants. Often, the board will establish customized grantmaking and operational policies that are important to the donor. | Donor appoints all members of the governing board of directors. Donor retains complete control over investments and grantmaking, subject to IRS requirements.  |
|   | Privacy   | Names of donors can be kept confidential. Grants can be made anonymously.  | Project income and expenditures are listed in Form 990.  | Officers, directors and trustees are listed in Form 990.   | Must file detailed and public tax returns on grants, investment fees, trustee names, staff salaries, and identification of major donors within Form 990-PF.  |
|   | Intergeneration transfer  | Most sponsors allow for donors to appoint successors for one or two generations, after which the funds must be disbursed.  | Not typically. Fiscal sponsorships are primarily in support of a particular charitable project and are not often utilized for legacy planning purposes.  | Yes. At the discretion of the board, the supporting organization can support the family’s philanthropy for unlimited generations.  | Yes. At the discretion of the board, the financial and legal control of a foundation can remain within a family for unlimited generations.   |
| Tax Advantages of Contributions             | Tax deduction of cash gifts   | Immediate deduction of up to 60% of adjusted gross income.   | Immediate deduction of up to 60% of adjusted gross income.   | Immediate deduction of up to 60% of adjusted gross income.   | Immediate deduction up to 30% of adjusted gross income.  |
|   | Tax deduction for long-term, publicly traded appreciated securities | Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.  | Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.  | Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.  | Immediate deduction of fair market value, up to 20% of adjusted gross income.  |
|   | Tax deduction for other long-term capital assets                    | Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.  | Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.  | Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.  | Immediate deduction of cost basis of assets, up to 20% of adjusted gross income.   |
|   | Total limit for all annual contributions combined                   | Up to 60% of adjusted gross income.  | Up to 60% of adjusted gross income.  | Up to 60% of adjusted gross income.  | Up to 30% of adjusted gross income.  |
| Grantmaking                                 | Minimum grant distributions   | Not required by the IRS. However, many sponsors require a minimum amount of grantmaking each year to consider the fund “active.”   | None.  | None.  | Annual distribution of 5% of the fair market value of assets.  |
|   | Eligible grant recipients   | IRS-qualified public charities. Some sponsors also allow for grants to for-profit companies running charitable projects and international non-governmental organizations that meet IRS requirements. | IRS-qualified public charities. Some sponsors also allow for grants to for-profit companies running charitable projects and international non-governmental organizations that meet IRS requirements.   | IRS-qualified public charities. Some supported organizations also allow for grants to international non-governmental organizations that meet IRS requirements.   | IRS-qualified public charities, for-profit companies running charitable projects and international non-governmental organizations that meet IRS requirements. A foundation may also make grants directly to individuals or families as long as the grants meet IRS criteria. |
| Other Administrative and Tax Considerations | Administrative responsibilities                                     | None.  | Progress reports submitted to the sponsor. Sponsor files the annual tax return and reporting.  | Generally, Form 990 filing and audit are completed under the umbrella of the supported organization.   | Manage all financial and administrative activities, hire staff, file annual tax return and reporting.  |
|   | Self-dealing restrictions   | Yes.   | Yes.   | Yes.   | Yes.   |
|   | Subject to excise taxes   | Only under specific, limited conditions.   | Only under specific, limited conditions.   | Only under specific, limited conditions.   | Yes. 1.39% of net investment income annually.  |
|   | Excess business holding restrictions                                | Yes.   | Yes.   | Yes.   | Yes.   |

\* Information presented here about supporting organizations pertains to Type 1 Supporting Organizations, as defined by the IRS.

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