

Effective Compliance and Reporting for Private Foundations: Tying It All Together

Amanda Adams, CPA

Jody Blazek, CPA

January 13, 2017

Strategies

Policies, procedures, checklists

Strategies for effective PF compliance

Steps to foster tax compliance for private foundations “PFs”):

- Establish internal controls to protect assets with awareness of PF rules.
- Educate all decision-makers – board, staff members, and accountants – about constraints imposed on financial transactions of a private foundation.

Strategies for effective PF compliance, cont.

- Hire professionals – investment managers, lawyers, and accountants – that are familiar with PF rules.
- Design programs that can abide by rules:
 - Grants to individuals
 - Grants to organizations
 - Direct charitable programs

Strategies for effective PF compliance, cont.

- Utilize the checklists provided in materials that contain a myriad of detailed questions regarding issues that a PF must pay attention to.
- Rules will be illustrated with examples of transactions that violate rules with suggestions for alternative route.

Basic Rules

- Excise Tax on Investment income: §4940 imposes a 1-2% tax on a PF's income from investments and certain exempt assets.
- Self-dealing: §4941 forbids, with some exceptions, financial transactions between a PF and those that created, funded, or manage it.
- Mandatory Payout: §4942 requires PF to spend 5% of FMV of non-exempt assets for qualifying charitable purposes each year.

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

Title search: Effective Compliance and Reporting for Private Foundations: Tying it All Together

Also available as part of the eCourse

[2017 Nonprofit Organizations eConference](#)

First appeared as part of the conference materials for the

34th Annual Nonprofit Organizations Institute session

"Effective Compliance and Reporting for Private Foundations: Tying it All Together"