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NONPROFIT ORGANIZATIONS INSTITUTE
Compliance and Operational Framework for Private Foundations

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Start-Up Considerations

Why does one create a private foundation?

Motivation must be to achieve the charitable purposes in tax code §501(c)(3) including:

Religious, Educational, Charitable, Scientific, Literary, Testing for public safety, Fostering National or International Amateur Sports Competition, or Prevention of cruelty to children or animals.

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More Reasons to Create a PF

Voluntary gifts to a private foundation (PF) or a public charity (PC) are deductible as a charitable contribution under IRC §170. The deduction is varying percentages of taxable income with up to 50% for a cash gift to a PC, 30% for capital gain property, and 20% for PFs.

IRC §170 rules evolve as tax legislators change and the income tax rates are graduated. At the highest income tax rate, the donor may recoup up to 50% of a cash gift donated to a PC.

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Other Possibilities

Rather than creating one's own PF, many choose to fund other philanthropic entities that have significant donors and hold, invest, and manage the money and disburse funds to support activities listed in §501c3 - schools, hospitals, libraries – and qualify as public charities (PC).

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Title search: Private Foundations: Compliance and Operational Framework for Maintaining Tax Exempt Status

Also available as part of the eCourse
[2023 Nonprofit Organizations Fundamentals eConference](#)

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