Grantmaking Basics for Private Foundations

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What We'll Cover

Legal overview of excise tax rules applicable to private foundation grantmaking

Diligence, development, and approval process and recordkeeping

Case studies

Overview of
Private Foundation Rules

First,
A Disclaimer

This presentation will focus on the federal excise tax regime applicable to grantmaking by private foundations.

There are many laws relevant to grantmaking that we will not cover. Some examples:

- Other areas of federal tax law
  - Private Benefit/Inurement
  - Charitability
  - Unrelated Business Income
  - Public Support Test for Public Charities
- Other federal laws (e.g. OFAC)
- State laws
  - State charitable organization laws and general corporate laws
  - Charitable solicitation and fundraising
  - UPMIFA
  - State and local tax exemption

Private Foundations and Public Charities

Entities described under 501(c)(3) of the Code are "charitable organizations." These organizations will be classified as either **private foundations** or **public charities**.

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Public Charities

Organizations must meet certain criteria to be recognized as a **public charity**, otherwise the default treatment is as a private foundation

- To qualify as a public charity, an organization will generally:
  - **Fundraise from a variety of funding sources**
  - Primarily earn revenue from their exempt activities
  - Be churches, hospitals, schools, or
  - Function as supporting organizations to other charities
- Common characteristics of public charities:
  - Many donors
  - **Diverse governance/control** of the organization
  - Likely rely on investment assets/endowments for small amounts of their operating budgets
  - Make up most **grantees** to grantmaking foundations

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Title search: Grantmaking Basics for Private Foundations

Also available as part of the eCourse
[Fundamentals for Private Foundations: Compliance and Operations, Grantmaking Basics, and IRS Audits](#)

First appeared as part of the conference materials for the
2023 Nonprofit Organizations Fundamentals Workshop session
"Grantmaking Basics for Private Foundations"