

PRIVATE FOUNDATIONS: SELECT VARIATIONS AND POSSIBLE ALTERNATIVES

Nonprofit Organizations Institute

UT Law

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Private Non-Operating Foundations

- Default status for all 501(c)(3) organizations
- Perfectly appropriate and acceptable structure for many organizations
- Seeking an alternative structure needn't be a goal in itself

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Private Non-Operating Foundations

Key Characteristics	
Donor Control	High
Deductibility (Limit)	30/20% AGI
Deductibility (Value)	FMV for publicly traded securities, basis for other
Operational Independence	High
Lobbying Permitted	No
Defining Code Section(s)	509
Operational Complexity	Moderate

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Operational Considerations

- Often operate primarily as grantmakers
- All private foundation rules apply
- Generally well-understood
- Stable regulatory environment
- Requires donor disclosure

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Variations and Alternatives

Private Operating
Foundation

Supporting
Organization

Conduit
Foundation

Donor Advised
Fund

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Private Operating Foundation

- Private foundation that devotes its assets or income to the **active conduct of charitable activities** rather than grant making

I.R.C. 4942(j)(3)

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"The Middle Zone: DAFs, Supporting Organizations, Private Operating Foundations and Conduit Foundations"