

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"