

Comparison: Donor-Advised Fund—Private Foundation

Comparisons

Donor Advised Fund

Private Foundation

Tax-exempt status.

Shares public charity status with charity.

Must establish separate tax exempt status as private foundation.

Charitable deduction for cash gifts.

50% of adjusted gross income in any one year.

30% of adjusted gross income in any one-year.

Charitable deduction for gifts of long-term capital gain property.

Deduction at fair market value, limited to 30% of adjusted gross income in any one year.

Deduction at fair market value for publicly traded stock but at basis for other capital assets. Limited to 20% of adjusted gross income in any one year.

Donor control of grants.

Donor may make recommendations as to investments and grants, but charity makes final decisions.

Donor retains complete control over grant making, limited only by IRS requirements.

Minimum payout requirements.

None, except by charity's policy.

Must pay out for charitable purposes at least 5% of asset value regardless of annual income.

Creating the foundation.

Established by agreement with community foundation or other charity.

Nonprofit corporation or trust organized as a private foundation.

Start-up costs.	No cost to donor.	Requires substantial legal, accounting, and operational costs similar to corporate startup.
Practical minimum size.	Depends upon charity's policy, often \$10,000 to \$25,000.	Substantial assets required, \$1 million and up.
Administration and operations.	Provided by the charity.	Must establish, acquire, and manage on its own.
Annual costs.	Minimal, usually set by charity on a break even basis.	Can be costly including administration, accounting, and audit.
Annual taxes.	None.	Generally income tax exempt, but subject to excise tax of up to 2% of net investment gain including capital gains.
Annual tax filings and returns.	None required, reported as part of the charity's annual reporting.	Separate tax and information return must be filed with required schedules.
Investments.	Provided by the charity, sometimes with donor's advice.	Must establish, research, and manage own investment vehicles.
Fiduciary responsibility.	Charity fulfills fiduciary responsibilities.	Private foundation board has full fiduciary responsibility.
Liability and risk.	Charity covers liability and risk.	Must be provided by the foundation.