



Ten Reasons to Set Up a Fund Rather Than a Private Foundation

1. A fund at the San Angelo Area Foundation is easy and inexpensive to establish. A private foundation requires a donor to create a new organization, apply for tax-exempt status, pay filing fees and incur legal and accounting expenses.
2. A gift of cash to a fund at the San Angelo Area Foundation allows a deduction of up to 50% of a donor's Adjusted Gross Income (AGI). A gift of cash to a private foundation allows a donor to deduct up to 30% of AGI.
3. By creating a fund at the San Angelo Area Foundation, a donor may deduct gifts of closely held long-term appreciated stock at its fair market value, up to 30% of AGI. If the same gift is given to a private foundation, deductibility may be limited to its cost basis up to 20% of AGI.
4. No tax is imposed on the investment income of a San Angelo Area Foundation fund because it is a public charity. A private foundation pays up to 2% federal excise tax on its investment income and net realized capital gain.
5. A donor may remain anonymous. A private foundation must make available to the public the name and address of any substantial contributor.
6. There are no minimum distribution requirements for a San Angelo Area Foundation fund. A private foundation must distribute annually at least 5% of its net investment assets, regardless of whether the amount is actually earned.
7. There are fewer restrictions on a San Angelo Area Foundation fund. There are strict regulations regarding self-dealing between a private foundation and those who manage, control, or contribute to it and persons or corporations closely related to them. For example, a private foundation, along with its donor and other "disqualified persons" (including members of the board and staff), may not hold more than 20% of a related corporation's voting stock.
8. There are fewer investment restrictions on San Angelo Area Foundation funds. A private foundation may not make certain types of investments. For example, the Community Foundation may hold more than a 20% ownership in a particular corporation, but private foundations may not.
9. There are fewer IRS reporting requirements on San Angelo Area Foundation grants and funds.
10. Gifts from a San Angelo Area Foundation fund are almost always considered "public support," thus helping the recipient charity retain its public charity status. A private foundation grant is usually not considered "public support" in its entirety and, thus, may not be as helpful to the recipient charity and retain its public charity status.