

A Comparison of Community and Private Foundations

Issue	Community Foundation	Private Foundation
Tax treatment of cash gifts	Deductions up to 50% of Adjusted Gross Income	Deductible up to 30% AGI
Tax treatment of appreciated gifts	Full market value deduction up to 30% AGI	Full market value deduction up to 20% AGI
Excise taxes	No excise taxes	Excise tax of 1% - 2% of net investment income annually
Required payout	No required payout. Can accumulate income toward sizable project or grant, or hold low-yield property until conditions are more favorable	Required to expend 5% of asset value annually, regardless of investment earnings
Incorporation and tax exemption	Automatically covered by Community Foundation	Must apply for incorporation and exemption
Privacy	Donors can remain anonymous; Community Foundation may serve as buffer between donor and grant-seekers	Private foundation required to file detailed tax returns on grants, fees, salaries, etc.
Investment, accounting, audit, tax returns	Community Foundation handles all investments, files tax returns, and provides annual independent audit	Trustees must perform, contract, or hire staff to perform these services
General administration	Community Foundation responsible for all financial and administrative management, including maintaining an office, hiring staff, employee bonding, insurance, and other overhead expenses	Trustees must perform, contract, or hire staff to perform these functions
Grant administration	Community Foundation can help identify prospective recipients, evaluate applicants, make grant payments, and monitor performance	Trustees must perform, contract, or hire staff to manage grantmaking
Mechanism for receiving gifts	Established protocols for receiving and processing gifts of all kinds	Trustees must establish mechanisms
Language for making gifts and creating funds	Community Foundation has all guidelines and language in place	Trustees must create guidelines and oversee
Public support and credibility	Foundation meets requirements; has established a track record and good reputation	Unknown
Tax deductibility for donors	Community Foundation enjoys the maximum under law including tax credit	Must be applied for; no tax credit