

Alternatives to Creating a Private or Family Foundation

Austin Community Foundation offers philanthropists a simpler, cost-effective alternative to a private foundation. A fund with Austin Community Foundation allows you to facilitate your family's charitable activities without the administration, management and IRS reporting associated with a private foundation. The fund costs less to maintain than a private foundation and minimizes the paperwork for giving.

	Private Foundation (PF)	Donor Advised Fund (DAF)
Tax status	Private Foundation	Public Charity – component fund of Austin Community Foundation
Tax deductibility	30% of AGI for cash 20% of AGI for LTCG	60% of AGI for cash 30% of AGI for LTCG
Valuation of gifts other than public traded stock	Cost basis	Fair market value
Limit on excess holdings (% of ownership of business interests)	2% deminimus allowed; 20% limit (can be remedied in 5 yrs)	2% deminimus allowed; 20% limit (can be remedied in 5 yrs)
Excise tax on excess holdings	10%	10%
Excise tax on net investment income	2% excise tax on net investment income, possible penalty taxes	None
Annual payout required	5% of non-charitable-use assets	None
Pay family members as staff	Yes	No
Pay non-family as staff	Yes	No
Donor education	PF staff or outsourced	Access to the Foundation's donor education
Grantmaking support	PF staff or outsourced	Our staff expertise
Governance	PF establishes governance documents	Under our governance documents
Board of Directors	Appoint	None for fund – but donors are advisors; the Foundation's Board oversees all funds
Accounting systems	Established and staffed by PF	Use our accounting systems and staff
Tax return	990PF prepared by PF	None – part of the Foundation
Audit	May be required for PF	Part of and supported by the Foundation