

Charitable Deductions

PRIVATE FOUNDATIONS & DONOR-ADVISED FUNDS



Private foundations and donor-advised funds are among the most popular charitable vehicles to help organize and formalize one's charitable giving. Both enable advantaged asset growth and provide a tax deduction in the year of contribution.

Donor-advised funds are frequently promoted as the better wealth management solution because they offer higher tax deduction limitations. In practice, however, these higher limitations may be less advantageous than they appear on paper.

Many individuals do not reach the Adjusted Gross Income (AGI) limits on tax deductions. However, when they do:

- Contributions to private foundations and donor-advised funds that exceed the respective annual limits can be carried over in each of the next five years until used up.
- Contributions can be made to both a private foundation and to a public charity in a single year.
- If the maximum 30% AGI limit of cash contributions to the foundation is reached, additional cash contributions of up to 20% AGI can be made directly to one or more public charities, including donor-advised funds.

As you review the chart on the next page, note that the allowable income tax deduction for a gift to a qualifying charitable organization depends on a number of different factors, including the deductible amount, and the AGI percentage cap.

TYPE OF CONTRIBUTION	CONTRIBUTIONS TO PUBLIC CHARITIES, INCLUDING DONOR-ADVISED FUNDS		CONTRIBUTIONS TO NON-OPERATING PRIVATE FOUNDATIONS	
	Percentage Limitation ¹	Amount Deductible ²	Percentage Limitation ¹	Amount Deductible ²
Cash	60% AGI	Amount Contributed	30% AGI	Amount Contributed
Qualified Appreciated Stock (generally, publicly traded stock that is a long-term capital gain asset) ³	30% AGI	Fair Market Value	20% AGI	Fair Market Value
Other Long-Term Capital Gain Assets (e.g., real property, bonds, or privately held stock) ³	30% AGI	Fair Market Value	20% AGI	Cost Basis
Short-Term Capital Gain Assets (e.g., stocks or bonds) ⁴	50% AGI	Cost Basis	30% AGI	Cost Basis
Tangible Personal Property (e.g., artwork, clothing, jewelry not kept and used by donee for its exempt purposes or functions)	50% AGI	Cost Basis	20% AGI	Cost Basis

As Foundation Source does not provide tax advice, please consult your tax advisor to discuss the specifics of your personal income tax situation.

¹ These columns reflect the maximum extent of a contributor’s adjusted gross income that may be reduced by such charitable contribution in a given year. Please note that to qualify for the 60% of AGI deduction, a donor must make cash gifts to public charities for the year equal to the full 60% AGI limit. Note further that a donor attempting to reach the 60% AGI limit generally will be subject to an effective AGI limit of 50% if the donor makes donations to public charities comprising a mix of cash and non-cash gifts, or a combination of donations to public charities and non-operating foundations.

² These columns reflect the amount that is eligible to be deducted.

³ Long term capital gain assets are those that are held (or deemed held) for more than one year, the sale of which, at fair market value, would yield long-term capital gain.

⁴ Short-term capital gain assets are those that are held for exactly one year or less, the sale of which, at fair market value, would yield short-term capital gain.

HAVE A QUESTION?

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