

# Summary: Dade Community Foundation



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This summary will wrap up our discussion of the federal tax considerations of Dade Community Foundation, and will illustrate some situations where Dade Community Foundation can assist donors in accomplishing their tax and philanthropic goals. This is a primer on the Foundation, as comprehensive as space allows, but not all-encompassing. Dade Community Foundation is always pleased to assist donors in working out ways to accomplish their philanthropic goals.

## The Profile of a Community Foundation

Dade Community Foundation is a “community foundation” under federal tax rules, Treasury Regulations §1.170A-9. These rules generally provide that under certain circumstances a group of separate funds, each of which would otherwise have to qualify as tax exempt and probably be a private foundation, can be viewed as a single entity for tax qualification purposes. As a result, each separate fund does not have to go through the difficulty of qualification or separate administration. Also, the group of funds operated under Dade Community Foundation may be a public charity, even though each of the separate funds would be a private foundation.

These rules were adopted in the 1960’s. Since then, the operation of community foundations has changed. Today, there is an emphasis on direct contribution to the Dade Community Foundation endowment while retaining the same flexibility of donor direction that was possible with separately trusted funds.

The Foundation is a public charity for tax purposes that permits donors to have some say over the use of contributed funds. The Foundation does not use the separate trusted funds prevalent 25 years ago. And, as has always been true, the Foundation’s cornerstone is the historic commitment to establish a community endowment.

## Private Foundations and Public Charities

The separate funds described above would typically be separate private foundations, as discussed earlier in this guide. In a private foundation, an individual or family contributes to a charity that the individual or family controls and there are no other donors. Such an entity is subject to rather strict rules which, among other things, severely limit transactions between the private foundation and the donor and the donor’s family. Some of these rules are not typically well-known among professional advisors and, therefore, are really traps for the taxpayer.

A public charity (IRC §509(a)) such as the Foundation is not subject to these rules. Some general rules apply to all charities (a public charity and a private foundation are simply the two types of charities), such as the prohibition against private inurement and campaign activities, but these are well-known and are not traps or burdensome.

As a general rule, it is complicated to establish and operate a private foundation. However, the donor can retain control over the private foundation and cannot do so with a public charity. Using Dade Community Foundation avoids the rules on private foundations, while making it possible for the donor to retain some control over the use of assets contributed. The different types of funds -- unrestricted, Field of Interest, Designated, Advised and Scholarship -- offer varying approaches to meeting donor’s priorities.

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## Income Tax Benefits

To summarize the tax advantages of a charitable gift to a public charity over a private foundation, note that both are qualified recipients of charitable gifts (IRC §170(a) and §170(c)(2)). The difference is the amount of the deductible gift, although there is no difference for estate tax purposes (IRC§2055(a)).

One advantage is that contributions to public charities may be deducted up to fifty percent (50%) of the donor's adjusted gross income with a five-year carry-over. Yet, contributions to private foundations are limited to thirty percent (30%) of adjusted gross income, also with a five-year carryover (IRC§170(b)).

Another advantage deals with intangible property. The fair market value" of gifts of intangible property (stocks and bonds) to public charities is deductible; only the basis of similar gifts to private foundations is deductible (IRC§170(e)).

## Non Tax Benefits

One purpose of Dade Community Foundation is to be Miami - Dade County's philanthropic endowment. As such, it has in place procedures to locate worthwhile projects that fit a donor's charitable goals. For example, donors wishing to benefit the homeless can give money to the Foundation with an agreement that the money will be used to support the homeless rather than trying to find a particular organization whose current activities support the donor's goals. This saves the donors time and gives them confidence that their goals will be accomplished as long as the problem exists.

We are an established charity with a community board involved in everything from grant making to prudent investing of assets. A donor to a private foundation may be confident that similar quality administration is available during the donor's life (although it may cost more), but cannot be certain what will happen after the donor dies or ceases to be involved with the foundation. Because Dade Community Foundation is run by a community board, it is unlikely to change in a way that would thwart the donor's goals. It is, however, likely that the Foundation will adapt to meet changes in society, tax laws, etc. for the precise purpose of carrying out donor's goals.

Dade Community Foundation provides an established vehicle for creating an endowment for Miami-Dade County that can be used in any area of philanthropy the donor desires, for perpetuity.

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## Endowment and Temporary Gifts

As we build Dade County's permanent philanthropic endowment, we also work with donors who want to establish funds that distribute gifts currently to charities recommended by the donor and approved by the Foundation. This saves the donor time and effort, and spares the donor any concern with year end gifting for tax purposes or with varying levels of income from year to year.

Here are some illustrations of situations where the unique characteristics of Dade Community Foundation helped donors accomplish their goals:

**A Gift of Appreciated Stock:** A donor is in the process of selling the stock of a closely held corporation. The donor knows of the tax advantages of making charitable contributions to public charities of some of the stock, because its full market value is deductible. However, the donor does not know which charity or activity to give it to. The donor can create a field of interest fund at the Foundation. Then, when the stock is sold, the proceeds will fund an endowment to support the philanthropic activity selected by the donor.

**Accumulate Dollars for a Project:** A donor wants to support a project at a particular charity. The project is not ready but it needs a commitment of dollars. The donor does not want to make the gift to the charity until the project is ready, but is committed to giving. The solution is to give the money to Dade Community Foundation with the condition that it be used for the project when it is ready or, if it is not ready at a set time, that the contribution will be put in an endowment to fund a philanthropic area selected by the donor.

**Donor Help:** A person has substantial wealth and wants a portion to be used for a specific area of concern, for instance the arts in Miami-Dade County, after the donor's death. The donor simply provides in his or her will that a certain amount goes to Dade Community Foundation to be used to establish an endowment to support the arts in Dade County in perpetuity. Those assets will still be available in 100 years, and still supporting the arts. No other mechanism provides a similar level of assurance that "the arts" as opposed to a particular charity, will be supported.

Many other illustrations and examples are available. But these few point out the unique benefits of Dade Community Foundation from a tax perspective, and a philanthropic perspective. These characteristics of Dade Community Foundation can be of great help to donors who want to support philanthropic efforts in Miami-Dade County.