

dc DADE COMMUNITY FOUNDATION

Professional Notes

ISSUES IN
NEXT SERIES:

AUGUST 2000

*Gifts of
Publicly
Traded
Stock*

How a Private Foundation Can Use the Grantmaking Expertise of a Community Foundation

The previous two issues of Professional Notes explained the advantages for many donors of establishing a fund in a community foundation instead of creating a private foundation. This issue explores how individuals and families who are committed to a private foundation can work with a community foundation, such as the Dade Community Foundation, to better accomplish their philanthropy.

More flexible gift opportunities

Donors who wish to contribute certain assets to their private foundations face restrictions on the types of gifts that can be made and on their tax deductibility. However, inter vivos contributions to public charities, including community foundations, of publicly traded stock and other appreciated property are deductible at fair market value. For gifts of cash, donors to community foundations may deduct up to 50 percent of adjusted gross income (AGI) in the year of the gift, with a five-year carryover for excess contributions. Private foundation donors may deduct up to 30 percent of AGI with the same carryover.

Gifts to community foundations of appreciated property (other than tangible personal property), whether publicly traded stock, closely held stock, copyrights, or other capital assets, may be deducted at fair market value up to 30 percent of AGI. Private foundation donors may deduct only gifts of publicly traded stock at fair market value, with a ceiling of 20 percent of AGI; all other forms of appreciated property are deductible at cost only.

The donor can set up a fund in the community foundation with the asset. The donor specifies the fund's purpose, be it specific or general, and the name of the fund can reflect the name of the private foundation. Community foundations are in business to make it easy for people to be philanthropists and to benefit their communities, so their charitable guidelines are generally very broad and accommodate most donors' interests.

Adding Charitable interests.

Most small and medium family foundations are not staffed or, at best, have a small staff. The donors may have started out with particular charities and charitable interest, but with time, are really enjoying giving away money and would like to branch out and support other causes. But, as any good philanthropist knows, finding the most effective nonprofits with the most promising strategies is no easy task. There are literally thousand of charitable agencies working in Miami-Dade alone.

The donor may make a grant from the private foundation and set up a field-of-interest fund in a community foundation and determine what it will be called. At Dade Community Foundation, grant staff, all experts in their fields, review proposals and recommend grants for projects of Miami-Dade's premier nonprofits to our Programs Committee. Grant checks are mailed to the charity; the accompanying letter notes the name of the fund.

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ABOUT DADE COMMUNITY FOUNDATION

For 33 years, Dade Community Foundation has been the community foundation for Miami-Dade County, an aggregate of funds created by individuals, families, and corporations to benefit the world around them -- especially the people of our community.

Grants made from these funds meet the changing needs of children, youth, and families; aid in community development; improve the environment; promote health; assist people with special needs; and support education, arts, and the humanities. The Foundation also has taken the initiative in responding to urgent problems -- such as Hurricane Andrew, the AIDS epidemic, and the needs of recent immigrants.

You may have clients, for example, who support some Miami-Dade's major cultural institutions through their private foundations. They may have read in local newspapers about the disappearance of arts education from the public schools. They know that audiences for music and dance are shrinking and understand that a new generation needs to be educated. They also know that the arts improve kids's academics performance. They would like to help, but don't know where their money will make a difference. If they open a field-of-interest fund at Dade Community Foundation, our program officer will recommend agencies to receive grants, such as a nonprofit cultural institution that brings performers and artists to the public schools, or an arts organization that trains teachers to integrate the arts into the school curriculum.

Other donors may want to use their family foundation to support charitable institutions with which they are involved, but have recognized that, in the complex and shifting nature of society's problems, they could benefit from access to expertise in a variety of urban issues. If your clients open a donor-advised fund at Dade Community Foundation, they can consult with our staff about where charitable resources are most needed and which nonprofits can make the best use of the money. The donors can then suggest that grants be made to those organizations.

The Dade Community Foundation offers several opportunities to clients that want to participate with other foundations and corporate grant makers in collaborative funding programs. Cooperating foundations make contributions to a fund that has a specific purpose. Through these collaborations, donors are able to reduce duplicate efforts, share expertise and staffing, focus resources on common concerns, and leverage the impact of their giving. We currently offer collaborative grant-making opportunities in the areas of arts and culture, immigration, intergroup relations, and AIDS. To become part of a joint fund, private foundations simply authorize a grant to Dade Community Foundation. The letter accompanying the check should name the particular fund to be credited.

What Dade Community Foundation cannot do

| The grants from a fund established by a donor in a community foundation cannot be made to the donor's private foundation.

| The Dade Community Foundation cannot dedicate one individual to handle only grants from a particular fund. If this is an important goal to your client, the private foundation remains the better option.

Dade Community Foundation is able to charge modest fees to each of our funds because we run a very lean operation. The Foundation's staff is committed to applying its considerable expertise to handling grants from funds established in our organization. We are unable to offer consulting services to private foundations.

Working with Dade Community Foundation

Clients who create private foundations do so for a variety of personal and financial reasons. When they need help in clarifying the issues they wish to tackle and in finding effective organizations to support, Dade Community Foundation can be useful. We specialize in identifying ways to solve both new and abiding problems, and because we're here for the long haul, we bring to bear the experience of the past as well as the long-term view of a permanent civic institution.

Charitable Deduction Rules

Many donors find it convenient to work with community foundations as well as to work through their own private foundations. Donors may be surprised at how the charitable deduction rules come into play where gifts are made to both public charities and private foundations.

Example

Sue and Jim Smith had adjusted gross income and a contribution base of \$1 million in 1999. As a result, the 50% ceiling on cash gifts to public charities would be \$500,000, the 30% ceiling on cash gifts to private foundations and gifts of property to public charities would be \$300,000, and the 20% ceiling on gifts of publicly traded stock to private foundations would be \$200,000. During 1999, the Smiths made charitable contributions totaling \$480,000 as follows:

To public charities:		To a private family foundation:	
Cash	\$10,000	Stock	\$400,000
Stock	\$20,000*		
Art	\$50,000**		

* All stock gifts were publicly traded securities held longer than one year. ** A painting given to a museum.

Calculation of 1999 charitable deduction:

Step 1 - Gifts to public charities that qualify for the 50% ceiling:

Allowance 50% ceiling	= \$500,000
Qualifying gifts	= 10,000 cash (fully deductible)
Remaining deduction	= \$490,000

Step 2 - Contributions to private foundations subject to 30% ceiling and which do not exceed allowable ceiling (lesser of \$300,000 or \$490,000):

= \$ 0

Step 3 - Gifts to public charities subject to 30% ceiling:

Allowable 30% ceiling	= \$300,000
Qualifying gifts	= 50,000 art (fully deductible) 20,000 stock (fully deductible)
Remaining deduction	= \$230,000

Step 4 - Gifts to "other" organizations subject to lesser of \$230,000 (remaining ceiling from Step 3) or \$200,000 (20% of contribution base):

Ceiling	= \$200,000
Gifts:	= 400,000 stock
Carryforward	= \$200,000

If the gifts had all been made to public charities, the total current charitable deduction would have been \$310,000 instead of \$280,000, and the carryforward amount would be \$170,000.



ABOUT DADE COMMUNITY FOUNDATION

The Foundation is governed by a 21-member Board of Governors composed of community leaders. Its staff is recognized for experience in grant making, financial administration, and donor services. In 1999, Dade Community Foundation made grants of over \$6 million and administered \$57 million in assets.

For more information about the Foundation call Joe Pena, Director of Development at 305-371-2711.

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If you know of a colleague who would like to receive complimentary copies of Professional Notes, or if you wish to obtain past issues, please call Claudianna Williams at 305-371-2711.

DECEMBER 1998

- * Charitable Remainder Trusts.

MARCH 1999

- * Reforming a Defective Charitable Remainder Trust.

JUNE 1999

- * Charitable Lead Trusts.

OCTOBER 1999

- * A Private Foundation or a Fund in a Community Foundation: Weighing the Options.

JANUARY 2000

- * Transferring a Private Foundation to a Community Foundation.



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