CHAPTER 4

Giving Vehicles: The Basics

Many people are catapulted into philanthropy because of a wealth event. Often, their first question is what giving vehicle to use to deploy their philanthropic dollars. We hope this chapter will help you answer these questions:

- What are the types of giving vehicles, or structures, that I can use for my philanthropy?
- What are the pros and cons of each, given my interests and circumstances?

This chapter covers commonly asked questions on methods of giving. We discuss:

- direct giving
- donor advised funds (DAFs)
- private foundations
- limited liability companies (LLCs)

A chart at the end of the chapter compares the major characteristics of each vehicle.

There also are less common types of charitable gifts that may suit your particular circumstances—for example, gifts to nonprofit institutions that provide you an income for life and a deduction for the actuarial value of the remainder, and gifts of art or real estate. (You should consult your tax advisor or lawyer about these options, as well as about other ways of giving through estate planning.)

Your donation only qualifies for a deduction if it goes to a qualified charity—one accorded 501(c)(3) status by the Internal Revenue Service (IRS). Other gifts, such as those to political efforts or for-profit social enterprises, are usually not eligible for tax deductions. While this chapter provides basic details on tax deductible gifts, we recommend speaking to a trusted tax advisor if you have any doubts about the deductibility of a gift.

Direct Giving

Q. What is direct giving?

A. Direct giving is the simplest way to make a gift. You can write a check, use your credit card, or instruct your broker to transfer securities to an organization. You can ask your accountant or bookkeeper to track your donations or track them yourself using a money management tool like Quicken or a spreadsheet.

Direct giving is also the most flexible giving structure. You can make gifts to charitable organizations as well as to organizations that do not qualify for tax deductions, such as political campaigns or for-profit businesses with social missions. You have complete control over funding decisions.

Q. What tax deductions am I eligible for when I give directly?

A. If you give to 501(c)(3) charitable organizations, your contributions are generally tax deductible provided that you itemize deductions—i.e., do not claim the standard deduction. Cash gifts to public charities—i.e., 501(c)(3) organizations that are not private foundations—can be deducted up to 50% of your adjusted gross income (AGI); this limit can include gifts of capital gain property up to 30% of AGI, with the rest in cash.* For instance, a taxpayer with AGI of $100,000 could deduct $30,000 of non-cash gifts to public charities plus an additional $20,000 of cash gifts to public charities. For tax years 2018 to 2025, a temporary rule allows taxpayers to deduct gifts to public charities up to 60% of AGI but only if all those gifts are in cash. A taxpayer whose contributions exceed the applicable AGI limit can "carry over" the excess deductions for up to five years.

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* The 50% limit may also include cash gifts of up to 30% of AGI to private foundations, or up to 20% if the gifts are in appreciated property.

For gifts of capital gain property to public charities, taxpayers generally can deduct the fair market value of the property if the property has been held for more than one year. Capital gain property includes shares of stock, most other financial assets, and most real estate. The rules can be complicated, so consult your tax advisor about anything other than straight cash gifts.

Donations to 501(c)(4) social welfare organizations and other political organizations are not eligible for individual income tax deductions, even though these organizations may be tax-exempt themselves. Gifts to for-profit businesses are also not tax-deductible even if the businesses have social missions.

Q. Can my gifts be made anonymously?

A. Yes. Your personal tax return is not publicly available. Although public charities must report certain gifts, the names of the donors are redacted when the tax reports are made public.

Q. When might I consider vehicles beyond direct giving?

A. Direct giving is straightforward and easy, but if your giving becomes complex—say, because you wish to develop and implement your own giving strategies (for more information on developing your philanthropic strategy, see **Chapter 5: Understanding Problems, Their Causes, and Approaches to Solutions**)—then you should consider other giving structures. For example, if you want to hire staff to support your philanthropy, or to institutionalize your philanthropic legacy, you may consider establishing a foundation (see below).

Donor Advised Funds (DAFs)

Q. How does a DAF work?

A. A DAF is a unique sort of giving vehicle typically managed by a DAF sponsor—a community foundation or the charitable arm of an investment fund like Fidelity or Schwab. A DAF functions as a charitable investment account, with the sponsor making gifts from the DAF based on the donor's requests. Donors get a charitable tax deduction when they give to a DAF; in exchange, they relinquish aspects of control of the donated funds to the sponsoring institution. For example, the DAF sponsor typically manages the investment of the assets in the DAF, and a DAF holder cannot *make* a grant from the DAF but rather can *recommend* a grant, with the sponsor having approval authority. Typically a DAF sponsor would only decline to make a grant if it does not comply with IRS regulations—for example, the grantee is not a qualified 501(c)3 organization, or the holder wants to use the DAF to pay for their child's college tuition, or if the gift is inconsistent with the sponsor's announced policies—for example, prohibiting grants to hate groups.

Q. Can I withdraw funds from a DAF if I want to use them to support political campaigns or if I just need them for personal expenses?

A. No, you cannot. Your DAF contributions and any income earned from them are irrevocably committed to charitable purposes. If you have any doubts about how much to allocate to your DAF and how much to keep for other expenses, keep in mind that you can add to your DAF anytime you wish.

Q. What if the sponsor doesn't follow my advice?

A. Although you cannot withdraw the funds for your own use, you can transfer funds to another DAF sponsor.

Q. Do I receive income from a DAF?

A. No, once you place funds in a DAF, any income earned on them must eventually be given to charitable organizations.

Q. What are the tax implications of giving to a DAF?

A. The tax implications are the same as giving to any 501(c)(3) public charity, as described above. Because you can contribute very large amounts to a DAF now without committing to particular organizations, it can provide excellent tax benefits especially in the wake of a wealth event.

Q. Do DAFs require a minimum contribution and minimum size of gift?

A. DAFs usually have an initial minimum establishment requirement, often between $5,000 and $25,000. With most DAFs, you can recommend grants as small as $50 and as large as you wish, typically with no additional charge per grant.

Q. How much do DAFs charge for their services?

A. Most DAFs charge an administrative fee based on the amount in your account; usually the fee is a higher percentage when the account is small and declines as the DAF balance increases.

Q. Is there a minimum annual payout from a DAF?

A. While some DAF sponsors require a small minimum annual payout (e.g., $500), many do not. Some do not permit funds to be dormant for more than a couple of years. There has been criticism of some DAF holders for being too slow to distribute their funds to operating charities. On the one hand, the average payout from DAFs is about 20 percent[11]—well above the 5 percent payout required of private foundations. On the other hand, many dollars for which donors have received tax deductions are sitting at length in DAFs rather than going to charities. Your decision to give now or postpone giving to a later time depends on at least two factors:

- The first is the nature of the issues you're addressing with your charitable dollars. If the social or environmental problems you're concerned with are growing faster than your DAF funds, that's a good reason to give sooner rather than later. But you may wish to support perennial causes, such as education and the arts, and have no particular reason to prefer today's beneficiaries over future ones.
- The second is when you feel that you can devote adequate time to charitable giving. One donor may treat his startup's IPO as an opportunity to take a break from business and focus on philanthropy. Another may get right back into the fray and wait until she or family members have time to consider how to use their charitable dollars most effectively.

Q. Can I engage my children or grandchildren in my DAF?

A. Yes, you can involve your children as advisors to a DAF and even allow them to continue to advise gifts after your death. Nothing in the IRS regulations prohibit a DAF from being perpetual through the appointment of successor advisors—though some DAF sponsors may impose their own limitations.

Q. Can a DAF sponsor help find and vet charities in my focus areas?

A. DAFs hosted by many community foundations have well-informed staff who can advise you about charities relevant to your focus areas. Just as with direct giving, however, you may have to rely on your own resources to find and vet effective charities in your focus areas.

Q. Can I make anonymous gifts through a DAF?

A. Yes. If you wish, a gift from a DAF can be presented to the grantee with only the name of the DAF sponsor and therefore be anonymous even to the organization receiving the gift. Alternatively, based on the DAF holder's wishes, the DAF sponsor can share the name of the DAF holder with the grantee but advise them not to make it public.

Private Foundations

Q. What is a private foundation?

A. A private grantmaking foundation (hereafter, just "private foundation") is a nonprofit entity with 501(c)(3) tax status, whose funds typically come from one source (e.g., a founding individual or family), and are distributed as charitable grants. (In contrast, a private operating foundation uses its funds mainly to conduct its own charitable activities rather than to make grants.)

The Internal Revenue Code requires a private foundation to expend at least 5 percent of its endowment each year. The required distribution includes reasonable administrative expenses, such as staff salaries, as well as the grants. Individual philanthropists may choose to donate to existing foundations or start their own.

Q. How do I decide whether to start a private foundation? Is there a minimum amount needed?

A. In addition to its required annual payout, operating a foundation entails burdens absent from direct giving and DAFs. Properly administering a foundation and making annual reports to the IRS can be burdensome—though you can outsource many administrative responsibilities to organizations like Foundation Source. Among other things, a foundation must report the recipient organization, amount, and purpose of every grant made on the 990-PF form, which is publicly available. It has become a well-regarded practice for many private foundations to publish their grants on their websites.

In deciding whether a private foundation makes sense for you, consider whether its advantages in achieving your philanthropic objectives justify the burdens. One potential advantage is that all the costs of running a foundation are included in the required annual payout. If you plan to make a large number of complex grants, you may well need staff to manage them. You will probably incur further costs to rent or purchase an office for the staff, as well as legal and accounting costs for reporting and complying with regulations, and so on. (In contrast, you have no significant legal, reporting, or real estate expenses when you give directly or through a DAF.) You should consider whether these expenses actually increase the effectiveness of your charitable activities by at least the same amount as their costs.

Apart from these operational matters, a private foundation provides a good means of having your philanthropy last beyond your lifetime—though this can be achieved through a DAF as well.

All things considered, you should give serious second thoughts to establishing a private foundation with an endowment of less than eight figures.

Q. Are contributions to a private foundation tax deductible?

A. Yes, but like other charitable tax deductions, there are limits. Essentially, you can't deduct more than 30% of your AGI for contributions of cash or more than 20% of appreciated assets to a foundation. Moreover, gifts to a foundation of appreciated assets that are not publicly traded generally cannot be deducted at fair market value; the taxpayer will instead be limited to a deduction equal to basis (which in the ordinary case means the cost). Again, there are many tax complications, including how the deduction for gifts to a private foundation are affected by deductions for gifts to public charities. You should consult your accountant or lawyer before setting up a foundation.

Q. Do assets in a private foundation grow tax-free?

A. Not completely. Unlike public charities and DAFs, which generally do not have to pay tax on their investment income, private foundations must pay a federal excise tax of 2% on their investment income (reduced to 1% in some cases).

Q. Can I make anonymous gifts to or through a private foundation?

A. No. Private foundations must disclose all gifts they receive of $5,000 or more in a given year. Private foundations also must disclose all grants that they paid or approved. This information generally will be available on the Internet through websites such as GuideStar.

Q. Can a private foundation pay out more than the required 5% of our endowment annually?

A. Yes, you have complete discretion to pay out more than the required 5%. There are no upper limits on foundation spending. If you wanted, you could, in theory, spend down your entire endowment within one year.

Q. Should I put my children on the foundation's board?

A. Children often develop interests quite different from their parents'. As long as you are comfortable with making room in the foundation's priorities for their interests, foundations offer a structured way to involve the next generations in your philanthropy (see **Chapter 2: Involving Family**).

Limited Liability Companies (LLCs)

Q. How are limited liability companies (LLCs) used in philanthropy?

A. While large, staffed LLCs look like foundations, they have no special tax status. For tax purposes, an LLC is a pass-through and is just an extension of your checkbook. If an LLC makes a charitable contribution, it gets the deduction; if it makes a political contribution or socially motivated investment, it doesn't.

Q. If an LLC is simply a pass-through, why bother setting one up rather than writing checks?

A. Suppose that you have hundreds of millions of dollars dedicated to some combination of gifts, political contributions, and impact investments. Imagine paying staff members, consultants, and miscellaneous bills from your personal checking account, withholding income taxes where appropriate, and the like. The LLC is fundamentally a bookkeeping structure to make all of this easier. Placing assets in a charitable LLC also may help protect them from creditors or in a divorce.

Q. LLCs have been criticized for their lack of transparency. What should I make of this?

A. Putting money in an LLC and later giving it to a public charity is neither more nor less transparent than keeping money in a personal account and later giving it to a public charity.

Q & A WITH A WEALTH ADVISOR

Sean Stannard-Stockton, CFA, CAP, President and Chief Investment Officer, Ensemble Capital

Q. How do you begin a conversation with your clients about giving vehicles and their overall giving strategy?

A. We start conversations with high net worth donors around their personal and philanthropic goals. Once we've established both, we start building out a set of tools—philanthropic vehicles on one side, trusts, retirement accounts, etc. on the personal wealth side—that work together to achieve the client's combined goals. For instance, consider a donor with children who has a goal of giving to charity during life, leaving money to their children, and passing on to their children their values about wealth and giving. This donor might find that a combination of a charitable lead trust, a donor advised fund, and the involvement of their children in both can ensure that their charitable giving is focused on impact and that they can steward their own wealth successfully.

Q. What trends are you seeing in which vehicles clients are choosing and why might this be?

A. We see more and more people using donor advised funds—especially donors who make meaningful annual donations but are not ultra-high net worth. While private foundations are not necessary if the donor only wants to make donations to nonprofits (and doesn't need to hire staff, host events, run scholarship programs, etc.), we continue to see strong interest in foundations by donors who desire more flexibility in both their giving and the management of their investments than is offered by donor advised funds.

Q. Are there mistakes you regularly see clients make that you think could be avoided? What would those be?

A. The main mistake is viewing philanthropic and wealth planning as entirely separate. If instead donors treat their investment decisions and philanthropic allocations as part of an integrated strategy, it enables more effective ways to reach both personal and philanthropic goals. For instance, wealthy donors too often create a philanthropic plan only after experiencing a large liquidity event such as selling a company. But by waiting, they lose the opportunity to do philanthropic planning related to the transaction, such as transferring a portion of the company to a giving vehicle prior to the sale, which captures tax benefits that could be used to enhance their personal and philanthropic capital.

Other Considerations

Q. Whether I'm establishing a DAF or a private foundation, should I plan to spend the charitable funds sooner or later—or leave them for others to spend in perpetuity?

A. Your decision on timeline should be shaped by your goals and the needs of your focus areas. For example:

- Is the problem growing exponentially—making it more urgent to address immediately—or will it remain the same over time? Compare the estimated growth of your charitable funds with the estimated cost of addressing the problem at a future time.
- Can you achieve the greatest impact through a burst of funding now (for example to accelerate research) rather than providing long-term, sustained funding? For an example, the Aaron Diamond Foundation spent down its $220 million endowment over a decade to fund research that led to drugs to control the HIV virus in the early years of the AIDS epidemic. On the other hand, a scholarship program that ensures access to college for disadvantaged students might well last for decades if not in perpetuity.

When faced with the choice of aiding your intended beneficiaries today or in the distant future, consider this observation by Julius Rosenwald, whose philanthropy aided Black children in the South in the 1920s: "I feel confident that the generations that will follow us will be every bit as humane and enlightened, energetic and able, as we are, and that the needs of the future can safely be left to be met by the generations of the future."[12]

Q. Can I make political contributions through my philanthropy?

A. Political contributions (other than to certain 501(c)(3) voter registration and "get-out-the-vote" organizations) are not deductible from individual income tax. Contributions to candidates, 501(c)(4) organizations, and other organizations that are not eligible for tax deductions generally cannot be made by DAFs or by public and private foundations. For political contributions, direct giving (or equivalently, giving through an LLC) is your best option. State or federal law may require the disclosure of political contributions.

Q. Can I support advocacy with my philanthropy? What about lobbying?

A. Advocacy is among the legitimate tools an organization can use to achieve its goals. Advocacy refers to a range of activities that aim to protect rights or promote interests at the global, national, or local levels. 501(c)(3) organizations may engage in some activities aimed at legislation, and may engage in largely unrestricted advocacy to influence administrative agencies and courts. You can make tax-deductible gifts to 501(c)(3) organizations that engage in advocacy through direct giving, DAFs, private foundations, and LLCs.

Lobbying is a subset of advocacy that is highly regulated by the Internal Revenue Code as well as state laws. Generally speaking, lobbying is an attempt to influence legislation through direct communication with members or employees of a legislative body, or indirectly by attempting to influence the public to take action on proposed legislation. Lobbying by a 501(c)(3) organization is permitted if it does not constitute a "substantial part" of its activities. (Section 501(c)(3) organizations are totally prohibited from supporting or opposing individual candidates for elective office.) Within limits specified by tax regulations, community foundations, as public charities, can also conduct or fund lobbying.

With narrow exceptions for "self-defense," private foundations generally may not lobby, but they may support public charities that do so as long as the support is not directed to the lobbying. If you want to engage in lobbying, consider giving directly to 501(c)(4) social welfare organizations.

Q. What is impact investing, and which of the vehicles allow me to make them?

A. As we'll discuss further in **Chapter 12: Socially Motivated Investing**, impact investing consists of investing in for-profit companies with the goal of increasing their social impact as well as possibly getting financial returns. You can make impact investments by writing a check, through a private foundation, through an LLC, and through some DAFs as well.

Q. Are impact investments tax deductible?

A. The Internal Revenue Code generally does not differentiate between investments intended just to make money and investments that also have a social purpose. Impact investments are not tax deductible per se; income and realized gains are taxable, and losses are deductible to the same extent as for ordinary investments (although losses are deductible only if the transaction was intended to be profitable). But there are at least two ways that you can make impact investments using charitable funds:

- First, the tax code counts private foundations' program-related investments (PRIs) toward their required 5 percent payouts. For all practical purposes, PRIs are investments that expect to sacrifice some profit in order to achieve social impact. But making effective PRIs is more difficult than making gifts; it requires staff with legal and investment expertise as well as knowledge of the particular substantive area. PRIs are really only for very sophisticated foundations.
- Second, an increasing number of DAF sponsors are permitting DAF holders to recommend impact investments from their funds.

Q. What about giving through estate planning?

A. The vehicles that we've mentioned thus far focus on giving while living. Estate planning focuses on preparing for the transfer of your wealth upon your death, and it runs the gamut from drafting a will to establishing trusts and purchasing annuities and insurance. Philanthropy can play a part in all of these—and the Internal Revenue Code has intricate provisions for how these instruments are treated. An estate planning lawyer can help you explore the possibilities.

Giving to public charities (including through DAFs) and private foundations while alive will generally be more advantageous from a tax perspective than giving upon death. A charitable gift during the donor's lifetime entitles him or her to an income tax deduction and moves assets out of her estate, thus reducing her estate tax. A charitable gift upon death does not yield any income tax benefit beyond the donor's final income tax return, though it does bring estate tax benefits. For this reason, it is sometimes said that giving during life yields a "double benefit" (an income tax deduction plus a reduction in estate tax liability) while giving at death yields only a "single benefit" (a reduction in estate tax liability).

DONOR STORY

Leveraging Three Giving Vehicles to Maximize Impact—*Matt Rogers, Founder, Incite.org*

We currently use three giving vehicles: a foundation, an LLC, and a DAF. This particular model developed over time as we learned about the most effective tools and activities for our impact work. My wife and I started making grants six years ago, which at that time consisted of writing individual checks to various organizations. We quickly realized that was not an effective grantmaking strategy and we wanted to be more tax efficient while maintaining flexibility to best use our assets for impact.

Establishing a Foundation

Mission related investments (MRIs) were important to us and difficult to accomplish through a DAF, so we set up our foundation which is the primary delivery vehicle for our grants and investments. We make about 7-10% in grants and a similar quantity in MRIs every year and use much of the foundation's corpus for investments in high-impact, high-risk activities, like new battery technologies, power, clean energy, etc.

Flexibility of an LLC

Our next learning emerged as we grew our team. When we hired our first two employees, we could have used the foundation as an employer but quickly realized that would limit the kinds of activities they could perform and the types of organizations we could support to 501(c)(3) public charities. We wanted the flexibility to be able to do whatever it takes; we work in areas like climate change, democracy, voter reform—which are often difficult to engage through a foundation. That's when we decided to set up an LLC, which we use primarily as an organizational and human resources vehicle. An LLC offers more flexibility and with post-tax dollars there are no constraints around what kinds of activities our employees can be doing across impact investing, political giving, and supporting c4 organizations.

Utilizing a DAF

Once I exited from my startup, I maxed out what I could give, 30% of adjusted gross income, to our foundation, so we set up a DAF for the remaining 20%. We use this for other grants that we write; however, the DAF is not our primary giving vehicle and we plan to wind it down over the next couple years.

Giving Vehicles Takeaways

- There is no one-size-fits-all giving structure. You can practice effective giving through any of the vehicles—beginning with direct giving.
- While tax considerations are an important factor in your choice of vehicle, consider other factors, such as the complexity of your giving and administrative burden.
- Foundations can be administratively burdensome, so unless you are planning to hire staff or retain an organization like Foundation Source, consider other giving vehicles as a means to engage in proactive giving.

CHAPTER 4 ANNEX

Giving Vehicles Comparison Chart

The chart below summarizes the advantages of each giving vehicle. Review it to help you identify the structures most suitable for your philanthropy. We encourage you to discuss these options with your trusted advisor.

CONSIDER-ATIONS	DIRECT GIVING	DONOR ADVISED FUND (DAF)	PRIVATE FOUNDATION	LIMITED LIABILITY COMPANY (LLC)
ADMINISTRATIVE SUPPORT: Do you need support for due diligence and administration, and can support be paid for by tax-exempt dollars?	~ The amount of support needed depends on the complexity of your gifts. Support is not tax-deductible.	~ The sponsor carries out administrative responsibilities. Beyond checking charitable status, capacity for due diligence varies. Fees to the sponsor are paid from the DAF— post-tax deduction.	~ Administrative responsibilities may be performed by paid staff or outsourced—and can be paid from tax-exempt dollars.	~ Administrative work is typically carried out by paid staff and is not tax-deductible.
ANONYMITY AND PUBLIC DISCLOSURE: Can you give anonymously?	✓ Yes	✓ Yes	✗ No, private foundations are required to disclose the names of grantees and significant contributors (those who give more than $5,000 in a year) on the annual 990-PF Form.	✓ Yes

✓ = yes ✗ = no ~ = sometimes

CONSIDER-ATIONS	DIRECT GIVING	DONOR ADVISED FUND (DAF)	PRIVATE FOUNDATION	LIMITED LIABILITY COMPANY (LLC)
ASSET GROWTH POTENTIAL AND INVESTMENT DECISIONS: Will your philanthropic assets increase in value over time? If you can make philanthropic investments, do you have control over how to invest?	✗ Not as such. Your philanthropic assets are not differentiated from your other assets. If you give assets to charity before selling them, however, you will not pay tax on the gains.	✓ Yes. Any growth in assets is tax-free, offering the opportunity for greater philanthropic giving in the future. The DAF sponsor is responsible for investment decisions, but this may be negotiated for large funds.	✓ Yes. Any growth in assets is exempt from income tax, though subject to the 1-2% foundation excise tax.	✗ No
CONTROL OVER GRANTMAKING: Can you retain control over funding decisions?	✓ Yes	~ Donors can advise the DAF sponsor on how to distribute their funds' assets, but the final funding decisions rest with the DAF sponsor. Except where a proposed grant violates an announced policy, the sponsor will usually act as advised.	✓ Yes, subject to the approval of the foundation board.	✓ Yes
DISTRIBUTION REQUIREMENT: Is there an annual distribution requirement in place to keep your philanthropy moving?	✗ No	✗ No; though some DAFs have a minimum annual distribution requirement or a policy for funds that are inactive for two to three years.[13]	✓ Yes; private foundations are required to distribute 5% of their assets annually.	✗ No

Giving Vehicles Comparison Chart

CONSIDER-ATIONS	DIRECT GIVING	DONOR ADVISED FUND (DAF)	PRIVATE FOUNDATION	LIMITED LIABILITY COMPANY (LLC)
FAMILY INVOLVEMENT: Can your family members be involved in grantmaking decisions?	✓ Yes; this involvement will be informal.	✓ Yes; family members can be named as advisors or successors on your fund or can have their own funds.	✓ Yes; this involvement can be formal, with family members serving on the board or as staff.	✓ Yes; this involvement can be formal, with family members serving on the board or as staff.
IMPACT INVESTMENTS: Can you make investments that generate social as well as financial returns?	✓ Yes, but income made from impact investments may be taxable.	✓ Yes, an increasing number of DAFs are permitting funds under their management to be used for impact investments.	✓ Yes, private foundations can make program-related investments (PRIs) and mission-related investments (MRIs).	✓ Yes, but income made from impact investments may be taxable.
PERPETUITY: Can the structure exist in perpetuity?	✗ No	✓ Yes; DAFs can be set up as endowed funds, and named advisors and successors, or the DAF sponsor, can keep DAFs running in perpetuity.	✓ Yes; the endowment can either exist in perpetuity or be spent down over a period of time.	✓ Yes

CONSIDER-ATIONS	DIRECT GIVING	DONOR ADVISED FUND (DAF)	PRIVATE FOUNDATION	LIMITED LIABILITY COMPANY (LLC)
POLITICAL CONTRIBUTIONS: Can you make political donations or engage in lobbying?	✓ Yes; these contributions are not tax deductible.	✗ No—but public charities—including those to which you recommend donations and those that sponsor DAFs—can engage in lobbying, and community foundations can make grants for lobbying up to a certain limit.	✗ No—but public charities to which you donate can allocate a portion of unrestricted general operating grants to lobbying.	✓ Yes; these contributions are not tax deductible.
TAX IMPLICATIONS: What tax implications does this vehicle have for my giving?	You are entitled to tax deductions for the support of 501(c)(3) organizations.	The entire amount given to a DAF is immediately tax deductible.	The donor is eligible for a tax deduction when assets are transferred to the foundation—though on less favorable terms than gifts to public charities and DAFs. The income from assets held by a foundation are not subject to income tax, but foundations must pay an annual excise tax of 1%–2% of net investment income.	When contributions are made to a 501(c)(3) organization, the LLC's members are eligible for a tax deduction; there is no deduction for support given to political activities or impact investments.

THE STANFORD PACS

GUIDE

TO EFFECTIVE PHILANTHROPY

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