CHARITABLE VEHICLES

This chart provides a brief overview of some of the ways individuals or entities can fulfill their charitable goals, either by giving to an existing organization or starting a new one. This chart does not address the simplest methods of giving, such as outright gifts to charities and bequests. It also does not address all the different types of planned giving vehicles, such as charitable gift annuities, pooled income funds, and charitable lead trusts. It merely provides an introduction to several common options available to individuals or entities contemplating funding or starting a charitable organization. The laws in this area are complex. This chart presents the general rules; there are exceptions for specific situations.

Type of Vehicle	Use	Form	Tax Benefits	Control	Ongoing Maintenance
Donor Advised Fund	Donor wants to make grants to charitable causes over time, but does not have enough assets to start or does not want the administrative burdens that come with a private foundation.	Separate fund within a public charity identified by reference to a donor or donors.	Donor receives a current charitable deduction subject to the public charity deductibility limits.[1]	The public charity owns and controls the fund; however, the donor advisor may advise the charity on investment of the fund or preferred charitable beneficiaries.	The public charity takes care of all the administration.
Charitable Remainder Trust	Donor wants to make a gift to charity, but wants to provide an income stream to himself or another income beneficiary for the donor's life or a specified term of years. The income beneficiary receives an income interest and upon the termination of the income interest, the trust assets are transferred to charity.	Trust	Donor receives a current income tax charitable deduction. If an asset subject to capital gains tax is donated to the charitable trust, there is no capital gains tax when the trust sells it. In addition, gift and estate tax are avoided on the trust assets.	The trustee manages the trust under the terms of the trust and applicable state law. Donor's gift to the trust is irrevocable. The trust may provide that the donor can change the charitable beneficiary, but he cannot substitute a noncharitable beneficiary for a charitable one.	Trustee is responsible for trust administration, including filing annual tax returns for the trust and making income payments.

[1] Public charities offer the most advantageous charitable contribution income tax deductions. For example, a gift of cash to a public charity is deductible up to 50% of the donor's adjusted gross income. Donors may generally deduct the fair market value of property held for more than one year, including stock, real estate, tangible personal property used for the public charity's exempt purpose, and certain intangible personal property. If the donor deducts the fair market value of capital gain property, the deduction is limited to 30% of the donor's adjusted gross income.

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Fiscally Sponsored Project	An individual or entity wants to accomplish a charitable goal but does not want or is not ready to form a public charity. Instead, it becomes a project sponsored by a public charity (the "fiscal sponsor").	May be anything from an individual to a corporation.	Donors receive a charitable deduction for making gifts to the fiscal sponsor, which is a public charity.[1]	Depends upon the type of arrangement. The individual may be an employee of the public charity with limited control, or he may be a grantee of the public charity with more control over the project's activities.	Depends upon the type of arrangement between the fiscal sponsor and the sponsored project.
Public Charity	Founder wants to form an entity to carry out charitable purposes. The entity will either be a statutory public charity, such as a church, school, or hospital, or will be publicly supported.	May be formed as a corporation, trust, or unincorporated association.	Donors receive a charitable deduction.[1]	Controlled by a board of directors or board of trustees.	Please see website section on Government Regulation of California Nonprofit Organizations.
Supporting Organization (another type of public charity)	Founder wants to form an entity for the benefit of or to carry out the charitable purposes of an existing qualifying organization or organizations.	May be formed as a corporation, trust, or unincorporated association.	Donors receive a charitable deduction.[1] Contributions to a supporting organization from a person who indirectly or directly controls the governing board of the supported organization will turn a Type I or Type III supporting organization into a private foundation.	Controlled by a board of directors or board of trustees. It may not be controlled directly or indirectly by a substantial contributor. There are three different types of supporting organizations; generally, the supported organization has a certain amount of control over the supporting organization.	Please see website section on Government Regulation of California Nonprofit Organizations. Certain types of supporting organizations must comply with additional rules regarding excess business holdings and all are subject to automatic excess benefit transaction rules.

Type of Vehicle	**Use**	**Form**	**Tax Benefits**	**Control**	**Ongoing Maintenance**
Private Foundation	Founder wants to form a charitable entity that will make grants for charitable purposes over time, but the entity does not qualify as a public charity.	May be formed as a corporation, trust, or unincorporated association.	Donor receives a charitable deduction; however, it may be more limited than the deduction the donor would receive if he had given to a public charity. This depends on the type and amount of property donated to the private foundation and other charities during the year.[2]	Controlled by a board of directors or board of trustees.	Please see website section on Government Regulation of California Nonprofit Organizations. Private foundations must comply with detailed IRS rules regarding self-dealing, mandatory distributions, excess business holdings, jeopardizing investments, taxable expenditures, and an excise tax on net investment income.
Private Operating Foundation	Founder wants to form an entity to actively carry out charitable purposes (rather than just making grants), but the entity does not qualify as a public charity.	May be formed as a corporation, trust, or unincorporated association.	Donor receives a charitable deduction as if he had given to a public charity.[1]	Controlled by a board of directors or board of trustees.	Please see website section on Government Regulation of California Nonprofit Organizations. Private operating foundations must comply with detailed IRS rules regarding self-dealing, excess business holdings, jeopardizing investments, taxable expenditures, and an excise tax on net investment income.

[2] For example, an individual making a cash gift to a private foundation may only deduct the gift up to 30% of his adjusted gross income. With other gifts, such as real estate, tangible personal property, and intangible personal property, the amount of the deduction is generally limited to the donor's basis in the property and is deductible up to 20-30% of the donor's adjusted gross income.