

COMMUNITY VS. PRIVATE FOUNDATIONS

	Kern Community Foundation Fund	Private Foundation
Maximum Tax Benefits	YES	No
AGI Tax Deduction Limitation - Cash	50%	30%
AGI Tax Deduction Limitation - Long Term Capital Gain Property (Publicly-traded Stock, Closely-held Stock, and Real Estate)	30%	20%
Gifts of Qualified Appreciated Securities (i.e. Publicly-traded Stock)	Fair Market Value Deduction	Fair Market Value Deduction
Gifts of Real Estate or Closely-held Stock	Fair Market Value Deduction	Cost Basis Deduction
Privacy/Confidentiality	YES Confidentiality Maintained	No; Disclosure of IRS Form 990PF is Required
Excise Taxes on the Sale of Highly Appreciated Gifts	NO	Yes
Annual Excise Tax Payments	NONE	1-2% of Net Income and Net Realized Gains
Ease and Cost of Establishing a Charitable Entity or Fund	SIMPLE NO COST	Complex Legal Expenses and IRS 1023 Application Fees and Expenses
Annual Minimum Distribution Requirement	NONE	5%
General Administration (Investments, accounting, audit, and tax returns)	All financial and administrative management provided.	Trustees must perform, contract, or hire staff.
Grant Administration	Identification of potential recipients, investigate applicants, make grant payments, and monitor performance based upon advisor requests.	Trustees must perform, contract, or hire staff.
Personal Service by a Mission-based Organization	YES	No

If you are interested in learning more, please contact our Donor Services at 661.616.2617 or donorservices@kernfoundation.org.

Kern Community Foundation is a 501(c)(3) public charity. Contributions are tax-deductible as allowed by law (Tax ID #77-0555874).

Here are ten practical reasons that outline why establishing a fund with Kern Community Foundation might make more sense than creating a private foundation:

- A fund is easy and inexpensive to establish. A private foundation requires a donor to create a new organization, apply for tax-exempt status, pay filing fees and incur legal and accounting expenses.
- A gift of cash to a charitable fund allows a deduction of up to 50% of a donor's Adjusted Gross Income (AGI). A gift of cash to a private foundation allows a donor to deduct up to 30% of AGI.
- By creating a charitable fund, a donor may deduct gifts of closely held long-term appreciated stock at its fair market value, up to 30% of AGI. If the same gift is given to a private foundation, deductibility may be limited to its cost basis up to 20% of AGI.
- No tax is imposed on the investment income of a Kern Community Foundation fund because it is a component of a public charity. A private foundation pays up to 2% federal excise tax on its investment income and net realized capital gain.
- Kern Community Foundation donors may remain anonymous. A private foundation must make available to the public the name and address of any substantial contributor.
- There are no minimum distribution requirements for a charitable fund at Kern Community Foundation. A private foundation must annually distribute at least 5% of its net investment assets, regardless of whether the amount is actually earned.
- There are fewer restrictions on a charitable fund at Kern Community Foundation. For private foundations, however, there are strict regulations regarding self-dealing between the foundation and those who manage, control, or contribute to it and persons or corporations closely related to them. For example, a private foundation, along with its donor and other "disqualified persons" (including members of the board and staff), may not hold more than 20% of a related corporation's voting stock.
- There are fewer investment restrictions on Kern Community Foundation's funds. A private foundation may not make certain types of investments. For example, a community foundation may hold more than a 20% ownership in a particular corporation, but private foundations may not.
- There are fewer IRS reporting requirements on Kern Community Foundation grants and funds, and requirements that do exist are handled by Foundation's staff at no extra charge to individual donors.
- Charitable gifts to a Kern Community Foundation fund are almost always considered "public support," thus helping the recipient charity retain its public charity status. A private foundation grant is usually not considered "public support" in its entirety and, thus, may not be as helpful to the recipient charity in retaining its public charity status.

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