



WHAT DOES IT MEAN TO TERMINATE A PRIVATE FOUNDATION?

Those with private foundations often come to find that the administrative burden is too much to bear and that expenses eat into philanthropic contributions. CCF can help donors with an existing private foundation unwind or terminate the foundation and transfer assets to more efficient giving vehicles, such as a Donor Advised Fund, Scholarship Fund or Private Foundation Alternative Fund.

WHO SHOULD CONSIDER TERMINATING A PRIVATE FOUNDATION?

Donors who currently have a private foundation and who wish to remove the administrative burden and maximize their giving while maintaining their philanthropic identity.

WHAT ARE THE TAX ADVANTAGES OF ESTABLISHING A CCF FUND?

- Receive the maximum tax deduction available in the year that contributions are made
- Avoid punitive estate taxes on future gifts that you and your beneficiaries make to your fund
- Avoid costly capital gains taxes while realizing the maximum tax deductibility of your additional gifts of appreciated stock or other complex assets to your new CCF fund

at a glance

Terminating a Private Foundation

- Eliminate the administrative burden of managing a private foundation
- Maintain your philanthropic identity by establishing a fund(s) through CCF with the same name
- Reduce expenses and receive more advantageous tax benefits on future contributions

WHAT ARE THE BENEFITS OF TERMINATING A PRIVATE FOUNDATION?

- Preserve your philanthropic identity by naming your new fund the same as your private foundation
- Establish one or multiple fund types based on your goals
- Enjoy lower administrative expenses as compared with the operating expenses of a private foundation
- Access personalized donor services from CCF to help maximize your giving
- Give anonymously, publicly or both, depending on your preference
- Assets of a Donor Advised Fund are not subject to a minimum annual payout requirement, unlike a private foundation
- Give internationally with the support of CCF's grant specialists, who conduct due diligence for you, giving you more peace of mind
- Take advantage of CCF's team of experts who can research and identify organizations that align with your giving goals
- Contribute complex or unusual assets at fair market value (e.g., real estate, closely-held stock)

HOW DOES IT WORK?

- 1 **Review** – CCF staff works with you and your advisors to understand your original intent in establishing the private foundation.
- 2 **Plan** – With CCF's guidance, you determine the most appropriate fund(s) to meet your needs.
- 3 **Terminate** – CCF helps organize the logistics of termination, including tax filings and notifications.
- 4 **Establish** – Create a fund at CCF with the assets of the private foundation.
- 5 **Give** – You can give to the charities of your choice on your timeline, and access CCF expertise.

CONSIDERATIONS

A CCF fund cannot distribute salaries or other payments for anyone to run or participate in the fund's activities. Funds may not be used when there is material benefit to the donor, a donor advisor or a person related to the donor or a donor advisor (e.g., compensation, expense reimbursement, charitable event tickets or personal pledges). Funds also cannot be used for donations to political campaigns or related organizations.

terminating a private foundation in **action**

A donor set up a private foundation but it required more work than he had anticipated. After a couple of years he and his family were feeling burdened by the IRS requirements and operational responsibility. They felt rushed to make their giving decisions each year to meet the 5 percent payout rate. When the donor wanted to contribute closely-held stock to the private foundation, his advisor explained that his deduction would be limited to his tax basis in the stock.

As a result, the donor turned to CCF to help terminate his private foundation and transfer the assets into a Donor Advised Fund of the same name. He was able to set up the fund quickly and transfer the private foundation assets within a short period of time. The donor could immediately donate the closely-held stock to the Donor Advised Fund. He doesn't have cumbersome tax filings and administration. He also has access to CCF's donor services like philanthropic consultation and research, so he and his family can focus on their giving.

For help **Terminating Your Private Foundation**, contact Vice President of Development & Donor Relations Teresa Mosqueda at tmosqueda@calfund.org or (213) 452-6298.

IMPORTANT LEGAL DISCLOSURE

The information provided is general and educational in nature. It is not intended to be, and should not be construed as, legal or tax advice.

The California Community Foundation does not provide legal or tax advice. You should consult your tax advisor to properly determine the tax consequences of making a charitable gift to the California Community Foundation.

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