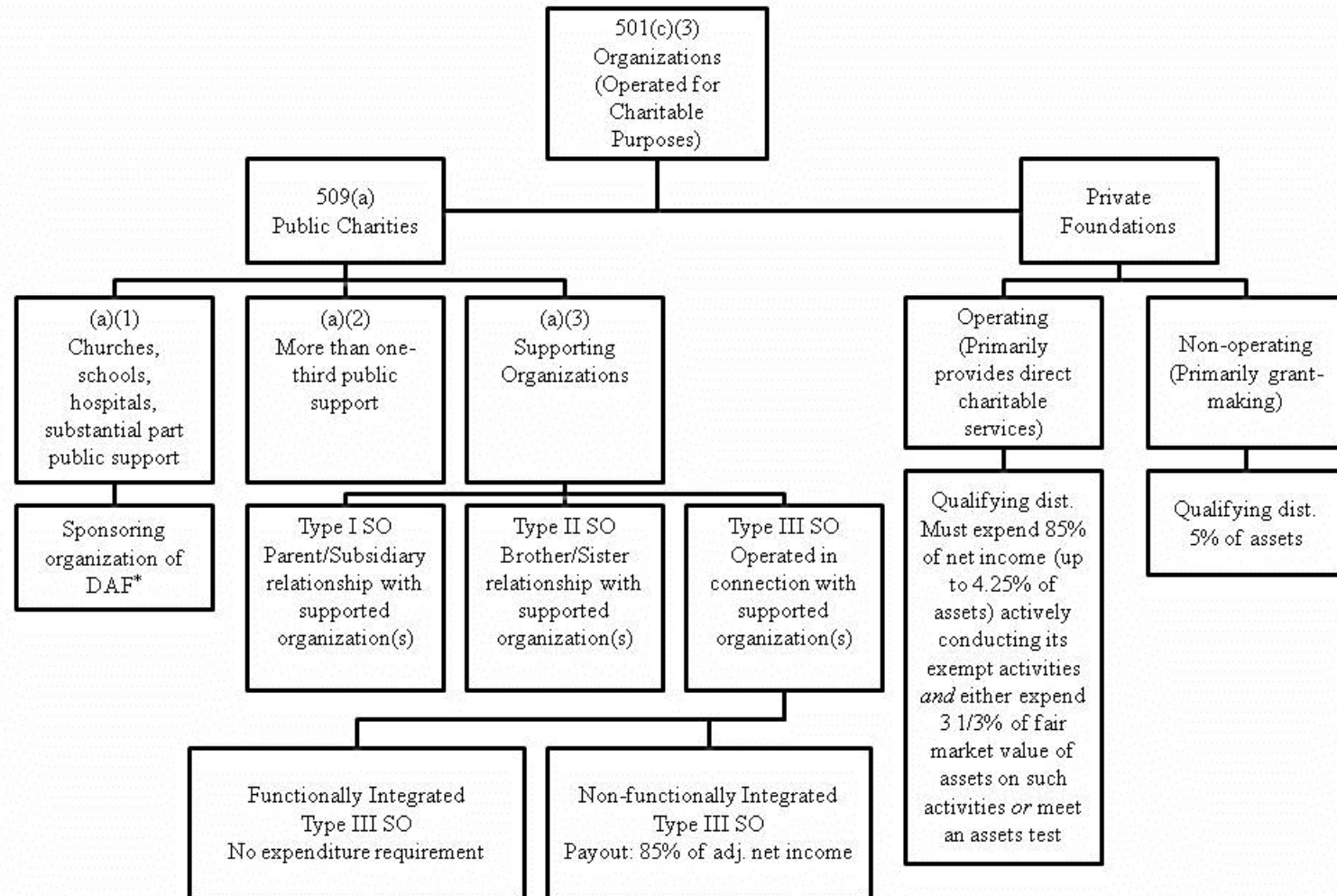


## Universe of Section 501(c)(3) Organizations



\* Subject to certain restrictions, most organizations described in section 509(a) of the Code may be a DAF sponsoring organization, although most sponsoring organizations are described by section 509(a)(1) of the Code.

## Major Distinctions among Private Foundations, Public Charities, SOs, and DAF Sponsoring Organizations

	<b>Charitable Contribution Deduction Limitation for Individuals<sup>1,2</sup></b>	<b>Donor Control</b>	<b>Annual Distribution Requirements</b>	<b>Excise Taxes on Organization and/or Managers</b>
<b>Operating Private Foundation</b>	Cash: 50% of AGI Capital Gain Property: 30% of AGI	Donor may control the organization.	Must expend 85% of net income (up to 4.25% of assets) actively conducting its exempt activities <i>and</i> either expend 3 1/3% of fair market value of assets on such activities <i>or</i> meet an assets test.	On acts of self-dealing with disqualified persons, investment income, excess business holdings, jeopardizing investments, taxable expenditures, and political expenditures.
<b>Non-Operating Private Foundation</b>	Cash: 30% of AGI Capital Gain Property: 20% of AGI	Donor may control the organization	Must expend 5% of fair market value of assets not devoted to charitable use.  Grants made to non-functionally integrated Type III SOs and certain other SOs are not qualifying distributions.	On acts of self-dealing with disqualified persons, investment income, failure to meet the mandatory distribution requirement, excess business holdings, jeopardizing investments, taxable expenditures, and political expenditures.

	<b>Charitable Contribution Deduction Limitation for Individuals<sup>1,2</sup></b>	<b>Donor Advice and Control</b>	<b>Distribution Requirements</b>	<b>Excise Taxes on Organization and/or Managers</b>
<b>Public Charity 509(a)(1) and 509(a)(2) (not a DAF sponsoring organization)</b>	Cash: 50% of AGI Capital Gain Property: 30% of AGI	Donors may, but generally do not, control the organization. Donors may offer non-binding advice on investment and distribution of assets.	Medical research organizations must expend at least 3.5% of fair market value of assets for or devote more than 50% of assets to the active conduct of medical research.	On excess benefit transactions, excessive lobbying, and political expenditures.
<b>DAF Sponsoring Organization</b>	Cash: 50% of AGI Capital Gain Property: 30% of AGI Deduction not allowed for contributions to DAFs whose sponsoring organizations are war veterans organizations, fraternal lodges, cemetery corporations, or non-functionally integrated Type III SOs.	Donors may, but generally do not, control the organization. Sponsoring organization owns assets and returns on assets. Donor may offer non-binding investment and distribution advice.	None.	On excess benefit transactions, excessive lobbying, political expenditures, and excess business holdings in DAFs. On distributions from DAFs to individuals, or to certain organizations unless made for a charitable purpose and expenditure responsibility is exercised. On distributions from DAFs that convey a more-than-incidental benefit to a donor, advisor, family member, or controlled entity.

	<b>Charitable Contribution Deduction Limitation for Individuals<sup>1,2</sup></b>	<b>Donor Advice and Control</b>	<b>Distribution Requirements</b>	<b>Excise Taxes on Organization and/or Managers</b>
<b>Type I SO</b>	Cash: 50% of AGI Capital Gain Property: 30% of AGI	Donor may not control SO. SO is controlled by its supported organization.	None.	On excess benefit transactions, excessive lobbying, and political expenditures.
<b>Type II SO</b>	Cash: 50% of AGI Capital Gain Property: 30% of AGI	Donor may not control SO. SO is controlled by persons who control its supported organization.	None.	On excess benefit transactions, excessive lobbying, political expenditures, and excess business holdings if the SO accepts a contribution from a donor who controls a supported organization.
<b>Functionally Integrated Type III SO</b>	Cash: 50% of AGI Capital Gain Property: 30% of AGI	Donor may not control SO. SO is NOT controlled by its supported organization.	None.	On excess benefit transactions, excessive lobbying, and political expenditures.

	<b>Charitable Contribution Deduction Limitation for Individuals<sup>1,2</sup></b>	<b>Donor Advice and Control</b>	<b>Distribution Requirements</b>	<b>Excise Taxes on Organization and/or Managers</b>
<b>Non-Functionally Integrated Type III SO</b>	Cash: 50% of AGI Capital Gain Property: 30% of AGI	Donor may not control SO. SO is NOT controlled by its supported organization.	Must distribute 85% of net income to supported organizations and meet an attentiveness test. Proposed SO Regulations would revise the payout requirement to 5% of the fair market value of non-exempt use assets. <sup>3</sup>	On excess benefit transactions, excessive lobbying, political expenditures, and excess business holdings.

<sup>1</sup> Corporations may also receive a charitable contribution deduction. The rules are set forth in Section 170(b)(2) of the Code, which provides a charitable contribution limit of 10% of taxable income.

<sup>2</sup> In addition to the overall limitation on total charitable contribution deductions, Section 170 of the Code sets forth rules for determining the amount that may be deducted for contributions of certain types of property. These rules distinguish between types of donors (individuals or corporations), types of donees (public charities or private foundations), types of property contributed (e.g., cash, capital gain property, ordinary income property, and inventory), and in some cases, distinguish between whether or not the contributed property is used to directly further the exempt purpose of the organization.

<sup>3</sup> Section 1241(d) of the PPA directed the Secretary of the Treasury to promulgate new regulations under section 509 establishing a mandatory distribution requirement for non-functionally integrated Type III SOs. On September 24, 2009, Treasury and the IRS published proposed regulations, "Payout Requirements for Type III Supporting Organizations That Are Not Functionally Integrated" (74 Fed. Reg. 48672), proposing a payout requirement equal to 5% of the value of non-exempt-use assets. The regulations are proposed to be effective on the date of publication of final regulations.