

Special Report: Charitable Foundations

Why does it cost so much to give money away?

A few foundations spend almost as much on expenses as they do on grants. Last of three parts

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... Although foundations are established with private money, the tax breaks they get make their finances a matter of concern for everyone, some say.

“Foundation dollars are partially public dollars, subsidized by taxpayers,” said Aaron Dorfman, executive director of the National Committee for Responsive Philanthropy.

Foundations established while the founder is alive escape income taxes of 35 percent, while those set up after the founder’s death escape the estate tax of 55 percent, he said. The money that foundations make on their investments is subject to a much lower tax rate than the growth of privately held assets.

“So to make a \$100 million contribution to a foundation costs us taxpayers \$55 million in lost revenue,” Dorfman said. ...

.... Dorfman says most foundations with less than \$10 million in assets would be better off putting their money into a donor-advised fund run by a community foundation.

“It is costly to maintain a private foundation,” Dorfman said. “The public good is not necessarily served. Should the taxpayers be subsidizing it, I think, is a valid question.”

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