

L. Corporate Giving

A Community Foundation can offer a corporation or an active shareholder a cost-effective opportunity to give back to the community.

In general, the Community Foundation is an attractive alternative to the private foundation for corporations and shareholders. (See Section M: *The Community Foundation As An Alternative to a Private Foundation*)

The Owner Managed Corporation

An entrepreneur who owns a corporation has an opportunity to give more on a tax effective basis than the average taxpayer. This is simply because the corporation can give up to 75% of its income to charity and deduct the gift from income, without affecting the owner's personal giving room.

Charitable giving can also help a donor out of a tax predicament. When an owner dies, his or her shares in the corporation are deemed to be disposed of, for tax purposes, at their fair market value. If, well in advance of an owner's death, the corporation both purchases insurance on the owner's life and makes a substantial donation to the Community Foundation, two things will happen. First the charitable donation will be deductible to the corporation. Second, proceeds of life insurance will be paid to the corporation after the owner's death and will replace the funds that went to the Community Foundation. Because the cost of the insurance and the charitable donation will deplete the assets of the corporation, the fair market value of the corporation's assets will be less at the owner's death than if no steps had been taken. And because the proceeds of insurance are received after the owner's death and are insurance by nature, they may be paid out tax free. The net result is far more cost effective than for the corporation simply to make a donation out of its cash assets after the owner's death.

The Larger Corporation

A larger corporation can both rationalize and "insulate" its giving program by setting up a fund at the Foundation. Rationalization is achieved by giving the program a single focus, which can be developed with the assistance of the Foundation and which will allow for the participation of management and employees to the extent desired. The corporation is also insulated from the day-to-day administration associated with vetting charitable requests since it can advise applicants that it does all its giving through the Foundation.



The High Growth Potential Corporation

The corporation that needs all its working capital to grow can nevertheless make a difference. For a startup corporation that has little equity value, shares can be donated by the principals or issued by the corporation that will, if the company grows, represent a significant charitable gift once they are sold or redeemed. This would allow a corporation to potentially become a major community supporter at a relatively low cost.

For a corporation that has already built up value but has little surplus cash, options to acquire equity can be granted that represent a gift only of the future growth in the value of the shares. This may be of particular interest if a corporation is either considering, or has recently completed, an initial public offering. In addition, an individual shareholder can, where not prohibited by the corporate constitution, create options to purchase his or her own shares.

