

CONROY, SMITH & Co.

certified public accountants

2003 Year End Private Foundation Tax Tips

- Avoid the federal excise tax by donating publicly traded appreciated stock to a grantee.
- Foundations should review the allocation of operating and administrative expenses between net investment income and charitable expenditures. By reviewing these allocations, a foundation may determine that certain expenses can qualify as a charitable expense thereby reducing the mandatory distribution requirements and possibly enabling the foundation to qualify for a reduction in the federal excise tax from 2 percent to 1 percent.
- Prior to year end, monitor the Foundation's current financial position to ascertain if the foundation can qualify for a reduction to a 1% federal excise tax. For example, a foundation that distributes an extra \$3,000 in grants could possibly save that amount or greater in taxes. Some foundations may move up the distributions of grants from (the next tax year to the current tax year to possibly qualify for the 1 percent tax.
- Consider offsetting capital losses with capital gains.
- Review all investments in limited partnerships to see if the foundation is subject to unrelated business income tax.
- If the excise tax for the current year is \$500 or greater, then estimated tax payments for the subsequent year are required. These estimated tax payments are due the fifteenth day of the fifth, sixth, ninth and twelfth month of the Foundation's fiscal year.
- Foundations that invest in foreign securities should ask their investment advisors to file for refunds for any foreign taxes withheld. Depending on the country, foundations may be eligible for a refund of all or a portion of foreign taxes withheld by the source country.
- When listing the addresses of Officers, Directors and Trustees on the 990-PF tax return, do not use their home addresses or other personal contact information. The Internal Revenue Service accepts a preferred address such as the foundation's business address or a P.O. Box.
- A Foundation must furnish a copy of the 990-PF to the attorney general of each state it is registered in, the state in which the Foundation's principal office is located and the state in which the Foundation was incorporated or created.
- As a prudent policy, Foundations should try not to extend their 990-PF tax return. However, if need be, a Foundation can apply for an automatic three month extension of time and additional (not automatic) three month extension. Therefore, a Foundation with a tax year ending December 31, 2003 could have until November 15, 2004 to file its 990-PF tax return.
- If a foundation amends its bylaws, a "conformed" copy of any amendments must be attached to the 990-PF tax return in the year of the change.