



WHAT IS A PRIVATE FOUNDATION?

A private foundation is a type of charitable organization. Both tax-exempt private foundations and public charities are both known as “501(c)(3)s” (because they are both exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code), and both qualify to receive contributions that are deductible for income, gift and estate tax purposes. However, a private foundation usually receives its funding from one or a few private sources, while most public charities receive on-going public support for their programs and activities. The principal activity of a private foundation tends to be making grants to public charities and awarding scholarships to individuals. It may, however, operate a direct charitable program, such as a museum, arboretum, homeless shelter, or Meals on Wheels program, in which case it may be appropriate for the foundation to seek recognition from the Internal Revenue Service as a “private operating foundation.”