Private Family Foundations

The Strategy in 60 Seconds

You can deduct up to sixty percent of your adjusted gross income by funding your own family foundation. Here is exactly how that works, in sixty seconds.

$240,000

60% of a $400K AGI - taxed on $160K instead

How you actually stand one up

- **FORM AND FILE - Nonprofit entity, then IRS Form 1023**
- **SEAT THE BOARD - You, spouse, and your children**
- **FUND IT BY DEC 31 - Deduction lands in the year you give**
- **FILE 990-PF YEARLY - Private foundations report every year**

What you cannot do with it

- No personal loans
- No paying yourself rent
- No buying foundation assets
- No covering personal pledges
- Reasonable pay only
- Everything documented

It is not a piggy bank.

The Law Behind It (primary sources)

Verify against the source before relying. This is education, not legal or tax advice.

26 U.S.C. Sec. 509 - Definition of a private foundation.

https://www.law.cornell.edu/uscode/text/26/509

26 U.S.C. Sec. 170 - The charitable-contribution deduction rules that apply to gifts into the foundation.

https://www.law.cornell.edu/uscode/text/26/170