



For Your Information: Public Charities & “Tipping”

When a public charity receives a large grant from a single private source – such as an individual, business or **private foundation (i.e., Windgate Foundation)** – and not from public charities or government, this large grant could bring your public support calculation below the required minimum and “tip” the organization out of public charity status with the IRS.

Donations received from other public charities or a government source, such as a state or federal grant, are exceptions. This public support test is calculated each year on your tax return.

The IRS states that at least 1/3 of a public charity's donations must be given by donors who give less than 2% of the nonprofit's overall receipts. This means a single grant from an individual, business or private foundation, no matter how large, can only be counted as part of the public support test calculation up to 2% of your organization's total support.

(Example: If total support received is \$100,000 and a single grant of \$50,000 is received from an individual, business or private foundation, only 2%, or \$2,000 of the \$50,000 can be counted as public support.)

The public support test calculation (public support divided by total support) is made based on the average of the current and past 4 years. However, a single large grant may cause the organization to fail to reach the minimum 1/3 in public support.

If there is a year when a large grant is received that could cause the public support calculation to fall under 1/3, you may qualify for an alternative public support calculation that lowers the public support minimum to 10%.

Losing your public charity status and becoming classified as a private foundation could impact the deductibility of individual donor contributions and terminate the exemption from excise taxes on investment income, among other issues.

There are additional rules associated with the public support test. We encourage you to regularly consult your tax advisor to ensure your public charity status is protected.

Windgate Foundation is providing the above for informational purposes only and recommends you should contact your tax or legal advisor to determine any impact on your organization.

More information can be found on the IRS website: [IRS-Support Tests for Public Charity](#)