GLOBAL INVESTING: Extending the art of donating overseas
By Sarah Murray
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On most nights, Alberto Vilar, founder of Amerindo Investment Advisors, can be seen at the opera, conducting quietly from his front row seat. And it's not just from his seat that the Cuban entrepreneur conducts. Mr Vilar is one opera's biggest benefactors, funding institutions from London's Royal Opera to Russia's Kirov and the Vienna State Opera.

Like Mr Vilar, a growing number of wealthy individuals want to contribute to non-profit organisations outside the US. The problem is that donors who give directly to a non-US charity cannot claim the tax benefits available under US law.

There are ways around this, however. One possibility is for the institution you want to support to set up an "American Friends" organisation in the US - a 501(c)(3) public charity that is either a trust or a corporation run by an independent board of directors. Growing numbers of European organisations are doing this as they look to wealthy US philanthropists to supplement their dwindling state funds.

Educational institutions such as Oxford and Cambridge universities have long been active in this way, as have many UK arts institutions, such as the British Museum, the Royal Opera and Sadlers Wells Theatre.

Continental European institutions are catching on too, albeit more slowly. The Louvre, for example, plans by the end of 2003 to have an office in New York able to receive tax-deductible funds from US donors.

Like US charities, the new organisation must be incorporated within a given state - with a board, a registered agent and a tax ID number - before applying to the IRS for tax-exempt status.

If the organisation has been incorporated but tax-exempt status is pending, you may still be able to receive the tax benefits associated with your gift. As long as the organisation receives its letter of tax exemption status within 15 months of being incorporated, any money given to it is retrospectively tax deductible. Tax-exempt status for any charity can be
checked from a list under "Publication 78" at www.irs.gov in the "Charities & Non-Profits" section.

An "American Friends" or similar body incorporated in the US with tax-exempt status is essentially no different from a US charity, even though it is supporting a non-US cause.

But what if the organisation you wish to support does not have its own 501(c)(3) organisation in the US? A growing number of US-based foundations are springing up to distribute funds to a range of non-US organisations and charities.

Examples are the King Baudouin Foundation United States (KBFUS), which focuses on donations to European organisations, the Caledonian Foundation, which distributes funds to Scottish charities, the American Ireland Fund and CAF America, whose funds are used for projects worldwide.

Foundations can also help donors identify an appropriate recipient, check its credentials and monitor its performance after a gift has been made. And because the donations are not directly to the charity, they can be made at a time during the financial year that suits the donor. Through KBFUS, for example, those who want to make regular donations can set up a "donor-advised fund" to which gifts can be made at any time.

However, whether you give through a foundation or to an American Friends organisation, tax benefits are only available if your suggestion of how the money will be used is not binding. The trustees or the board in the US retains ultimate control over your funds.

"But if an organisation like that does their job well, they'll be working with their donors that have set up funds with them," says John Edie, general counsel for the Council on Foundations. "The more closely they work with their donors, the more likely their suggestions are going to be followed."