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Doing good while being good: Ensuring your relief fund is compliant

By Douglas Stockham

Without question, providing relief funds to your own in times of unforeseen hardship or natural disaster is valued as an employer. It is a unique component that builds goodwill and—for many companies—helps to enhance investor-specific environmental, social, and governance (ESG) efforts. But whether your organization provides direct corporate assistance or has a private foundation, financial assistance given to a team member must comply with tax-exempt regulations, regardless of the good you intend to do.

Surprising to some, but all relief efforts are not created equal. Public charities with Field of Interest Funds are permitted to provide tax-advantaged relief for qualified disasters, nonqualified disasters, and hardships; while community foundations, direct corporate assistance, and private foundations are not. Figure 1 outlines the various charitable structures and their abilities to provide relief based on regulations.

Figure 1: Relief options from charitable structures

	PUBLIC CHARITY (EAF) Field-of-Interest Restricted Fund	PUBLIC CHARITY (Community Foundations) Donor Advised Fund	DIRECT CORPORATE ASSISTANCE	PRIVATE FOUNDATION
Qualified Disaster Relief (e.g., Presidentially Declared Disaster)	Permitted charitable activity	Permitted charitable activity	Permitted but not charitable and generally taxable to the employee (exception is a qualified 139 plan)	Permitted charitable activity
Non-Qualified Disaster Relief	Permitted charitable activity	Not permitted	Permitted but not charitable and generally taxable to the employee	Not permitted

	PUBLIC CHARITY (EAF) Field-of-Interest Restricted Fund	PUBLIC CHARITY (Community Foundations) Donor Advised Fund	DIRECT CORPORATE ASSISTANCE	PRIVATE FOUNDATION
Hardship Assistance	Permitted charitable activity (if IRS criteria are met)	Not permitted	Permitted but not charitable and generally taxable to the employee	Not permitted

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