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## Mark Zuckerberg's Philanthropy Uses L.L.C. for More Control

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The Chan Zuckerberg Initiative, the organization that the Facebook chief executive [Mark Zuckerberg](#) and his wife, Dr. Priscilla Chan, introduced this week, has three important letters at the end of its name: [L.L.C.](#)

L.L.C. stands for limited liability company, which is a specific type of business structure. The use of such an entity, revealed on Tuesday when the couple said they intended to [give away 99 percent of their shares in Facebook](#) during their lifetimes, shines a spotlight on an atypical but increasingly popular financial vehicle in philanthropy.

Traditionally, philanthropists have set up nonprofits to make charitable donations. Under the federal tax code, private foundations are required to spend a minimum of 5 percent of the value of their endowment every year for charitable purposes. There is also a nonprofit tax designation for advocacy groups, like the Sierra Club or the American Civil Liberties Union.

But a limited liability company is a structure that acts partly like a corporation and partly like a business partnership. The structure can provide benefits, and specifically one important advantage to the young billionaires: more control. (Some of them are giving away money earlier in their careers compared with benefactors of past eras — like the Rockefellers and Andrew Carnegie, who largely began their philanthropy closer to the ends of their lives.)

The L.L.C. structure gives Mr. Zuckerberg and Dr. Chan more flexibility in investing in for-profit social enterprises and also supporting political causes, allowing them a freer hand. That is because an L.L.C. has fewer rules than a traditional foundation, such as the 5 percent requirement.

An L.L.C. also does not necessitate the same kinds of disclosures of public tax documents, and the couple can choose to disburse any profit from the L.L.C. however they wish. In all those ways, the L.L.C. acts more like a private investment vehicle for the couple.

In addition, there are some legal and tax benefits. If the L.L.C. is sued, the couple's personal assets are exempt from consideration. Mr. Zuckerberg and Dr. Chan will also not face additional tax burdens with an L.L.C., but instead are taxed as individuals on any gains the L.L.C. sees.

“It's buying optionality, so that down the road they could still decide to direct money to nonprofits or they could choose to invest in really cool [solar energy](#) companies that are doing a lot of good,” said Jacob Harold, the chief executive of GuideStar, a national database about nonprofits. “It will enable the creative and flexible use of capital over time.”

Mr. Zuckerberg, 31, and Dr. Chan, 30, registered the Chan Zuckerberg Initiative L.L.C. in Delaware last week, according to a filing. The couple, who announced the initiative in the form of a letter to their newborn daughter, Maxima Chan Zuckerberg, has estimated that their current Facebook holdings are worth more than \$45 billion.

In a statement, a Facebook spokeswoman said, “As Mark and Priscilla have made clear, they believe the mission is best advanced by a combination of activities, including funding nonprofit organizations, making private investments and participating in policy debates.”

While many tech billionaires like the Google co-founders Larry Page and Sergey Brin have adopted a typical nonprofit structure — known as a 501(c)(3) — for their foundations, L.L.C.s are increasingly taking root among other Silicon Valley donors.

Pierre Omidyar, an eBay co-founder, has set up the Omidyar Network, which has taken a hybrid approach by operating as both an L.L.C. and a nonprofit structure. Laurene Powell Jobs, the widow of Steve Jobs, the former chief executive of Apple, has formed [the Emerson Collective](#), an L.L.C. dedicated to supporting issues on “education, immigration and innovation.”

Mr. Zuckerberg and Dr. Chan may now popularize the L.L.C. form even further.

“If I was Zuckerberg or one of his friends, and I was giving away multiple billions of dollars, I don't know what's going to be important hundreds of years from now,” said Scott A. Bishop, director of financial planning at STA Wealth Management. “In the long run, an L.L.C. is best for that type of flexibility.”

In adopting an L.L.C. approach, Mr. Zuckerberg is breaking from one of his childhood heroes, the Microsoft co-founder Bill Gates, who set up the Bill & Melinda Gates Foundation, and who now works on issues such as climate change and eradicating malaria. Mr. Gates's group in 2006 created a hybrid trust and foundation structure, but is not set up as an L.L.C.

Emmett D. Carson, the chief executive of the Silicon Valley Community Foundation, a charitable organization with \$7 billion in assets under management, said tech philanthropists were turning to a variety of novel giving tools including L.L.C.s, donor-advised funds and for-

profit businesses with charitable arms. That is because they are accustomed to developing or embracing new tools to disrupt the status quo, he said.

“We are at the cusp of a new renaissance in philanthropy, where younger donors in the tech industry are making commitments at a much younger age and are prepared to make much larger commitments,” Mr. Carson said. “They are using various hybrid tools to carry out that philanthropy here at home, but also around the world.”

There are drawbacks to L.L.C.s, too. Unlike with a traditional nonprofit, an L.L.C. doesn’t allow for a large tax deduction when you initially put money in; a tax break takes effect only when money is donated to charities or foundations.

In the couple’s giving announcement, Mr. Zuckerberg and Dr. Chan said they planned to tackle some of the biggest problems their daughter’s generation might face, including heart disease and cancer, and suggested they would finance research and technologies to address underlying causes of these diseases. They pledged to give away \$1 billion a year for the next three years.

“Medicine has only been a real science for less than 100 years, and we’ve already seen complete cures for some diseases and good progress for others,” the couple wrote in the letter on Facebook. “As technology accelerates, we have a real shot at preventing, curing or managing all or most of the rest in the next 100 years.”

***Correction: December 4, 2015***

An earlier version of this article misstated which entities are required by the federal tax code to spend a minimum of 5 percent of the value of their endowment each year for charitable purposes. That requirement applies to private foundations, but not to charities.

*Conor Dougherty and Nick Wingfield contributed reporting, and Doris Burke contributed research.*