

# Donor Advised Funds

We urge Congress to support the availability of donor advised funds as a viable charitable giving vehicle (with operating policies that are consistent with National Standards for Community Foundations).

## Rationale

Donor advised funds (DAFs) are a unique philanthropic tool that allow donors to establish charitable accounts at institutions, such as community foundations, and remain involved in supporting the issues and causes they care about. When a DAF is established, donors relinquish personal control of the funds to the community foundation, which then oversee and manage these funds on behalf of the families, groups, or individual donors. All funds distributed from these DAFs must be used for qualified, charitable purposes.

Proposed tax reform legislation would require DAF sponsoring organizations to annually disclose their policies for inactive funds. They would also be required to disclose the average amount of grants made from funds they manage.

We support legislative reforms for DAFs that help to promote ethical and accountable management of the charitable resources in these funds for the public good without compromising the privacy of the donor. IPA opposes legislative reforms that inhibit or diminish the reasonable growth and effectiveness of donor advised funds.

The CHARITY ACT of 2017 would modify the disclosures that tax-exempt organizations sponsoring DAFs must make each year so that they include the number of DAFs that had been in existence for 36 months at the end of the tax year, as well as the number of those DAFs that made grants during that same 36-month period. Additionally, the DAF-sponsoring organization would be required to indicate whether or not it has a policy with respect to DAFs that become inactive, dormant, or fail to make distributions; describe its policy for responding to such funds; and indicate whether or not the sponsoring organization monitors and enforces that policy.

## *Donor Advised Funds continued*

### **Expansion of the IRA charitable rollover**

In December, 2015, the IRA charitable rollover was made permanent by Congress and signed into law by President Obama as part of the Protecting Americans from Tax Hikes (PATH) Act. In the PATH Act, community foundations are eligible to be the recipients of IRA rollover contributions, but DAFs held by community foundations are excluded. Removing this prohibition would increase philanthropy in Indiana.

Donor advised funds are powerful tools—both for people who want to provide smaller gifts to make lasting commitments to their communities, as well as those with significant financial resources who are looking for an alternative to a private foundation. Community foundations, in particular, enable people to “give where they live” through such tools, and employ subject-matter experts with in-depth community knowledge to manage DAFs.

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### **DAFs help community philanthropy endure**

DAFs help increase the impact of charitable giving and build access to long-term philanthropic resources. DAFs ensure funds are available during hard times, much like a community savings account. During the Great Recession of 2008, DAFs allowed community foundations to sustain and even increase charitable giving at a time when individual giving and endowments plummeted and communities were in need.

### **DAFs encourage lasting civic engagement**

More than 70% of foundations report the average age of a DAF donor is between 46 and 64 years-old. This signals that DAFs are an important entry point for planned, strategic giving and long-term community involvement. For example, 81% of foundations report donors serve on foundation boards, or in another leadership role; 68% of foundations report donors help address pressing community needs; and 42% of foundations report donors help anticipate emerging community needs.

### **DAFs build stronger communities**

DAFs are flexible, allowing community foundations to quickly respond to local needs. DAFs have been used to support everything from emergency response efforts to community economic development. Each community foundation utilizing DAFs has a story to share about connecting donors to the causes they care about using donor advised funds.

#### **Sources**

*United Philanthropy Forum*