

Why is the Council on Foundations pushing back on the ACE Act?



The Accelerating Charitable Efforts (ACE) Act would decelerate the expansion of charitable giving by adding complexity for foundations and donors and making it harder for philanthropy to address emerging and long-term challenges.

What does the Council support?

The Council would support federal policy that:

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- ✓ Expands the overall philanthropic giving environment
 - ✓ Allows donations to meet emerging and long-term challenges
 - ✓ Aims to deliver more to those in need.



The Council initiated the Strengthening Community Philanthropy Ad Hoc Working Group, which comprises diverse community foundation leaders nationwide. The working group will develop principles and a proposal that will strengthen community foundations and donor-advised funds (DAFs) to share with lawmakers and the field.

Q. How is our nation doing in terms of charitable giving?

Charitable giving in the U.S. reached an all-time high in 2020, totaling \$471.4 billion. In fact, donations have been going up consistently for more than 40 years, with total giving growing almost every single year.

Q. Do DAFs divert money from or compete with charities?

It is important to understand that all donations to DAFs can only go to nonprofits, so DAFs expand the charitable giving landscape. DAFs are the fastest-growing charitable giving vehicle in the U.S. and have consistent average payout rates above 20 percent.

Q. Why shouldn't DAFs pay out all of their funds on a 15-year timeline?

The Great Recession, recent national disasters, and the COVID-19 pandemic illuminated the importance of being ready to respond to future crises.

DAFs have many uses and time horizons—some give directly to charities while others create lasting, flexible endowments for communities. All are valuable forms of philanthropy to tackle emerging and long-term challenges.

Q. Will the ACE Act address economic inequality in the U.S.?

Unfortunately, the ACE Act does not address economic inequality, but rather would negatively impact the philanthropic sector through new, unnecessary requirements for DAFs, private foundations, and family foundations.

The Council supports addressing economic inequality head on through a fairer, and better enforced, tax system.

Q. Will the ACE Act improve transparency of DAFs?

No, the ACE Act will not meaningfully improve transparency. The ACE Act's primary impact will be to add new bureaucratic complexity, requiring organizations to adopt elaborate and burdensome accounting practices to track different categories of DAFs.

The bottom line is that it will mean community foundations and other DAF sponsoring organizations will have less time and resources to carry out their charitable mission.

Q. When private foundations give to DAFs, isn't that a tax loophole?

The Council fully supports appropriate oversight to make sure foundations and DAFs meet the spirit and letter of the law, but private foundations use DAFs as an effective and flexible vehicle to provide critical resources for nonprofits and their communities and to partner with other funders to meet both local and national needs. Restricting gifts to DAFs from payout isn't the answer.

**To access a summary and resources for the ACE Act,
please visit the Council's policy & advocacy hub for the ACE Act.**

www.cof.org/aceact

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