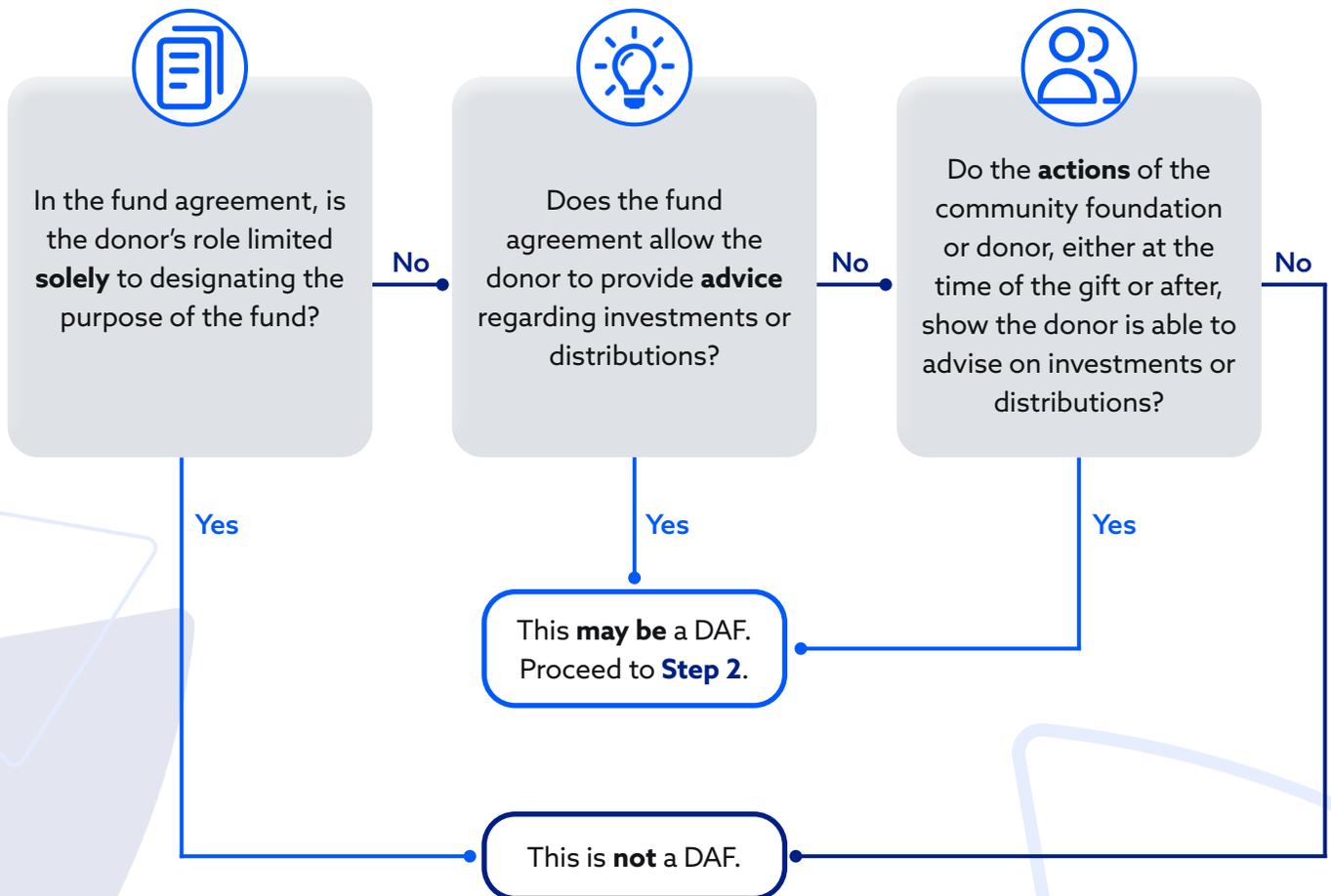


Donor-Advised Funds

What type of fund qualifies as a Donor-Advised Fund?

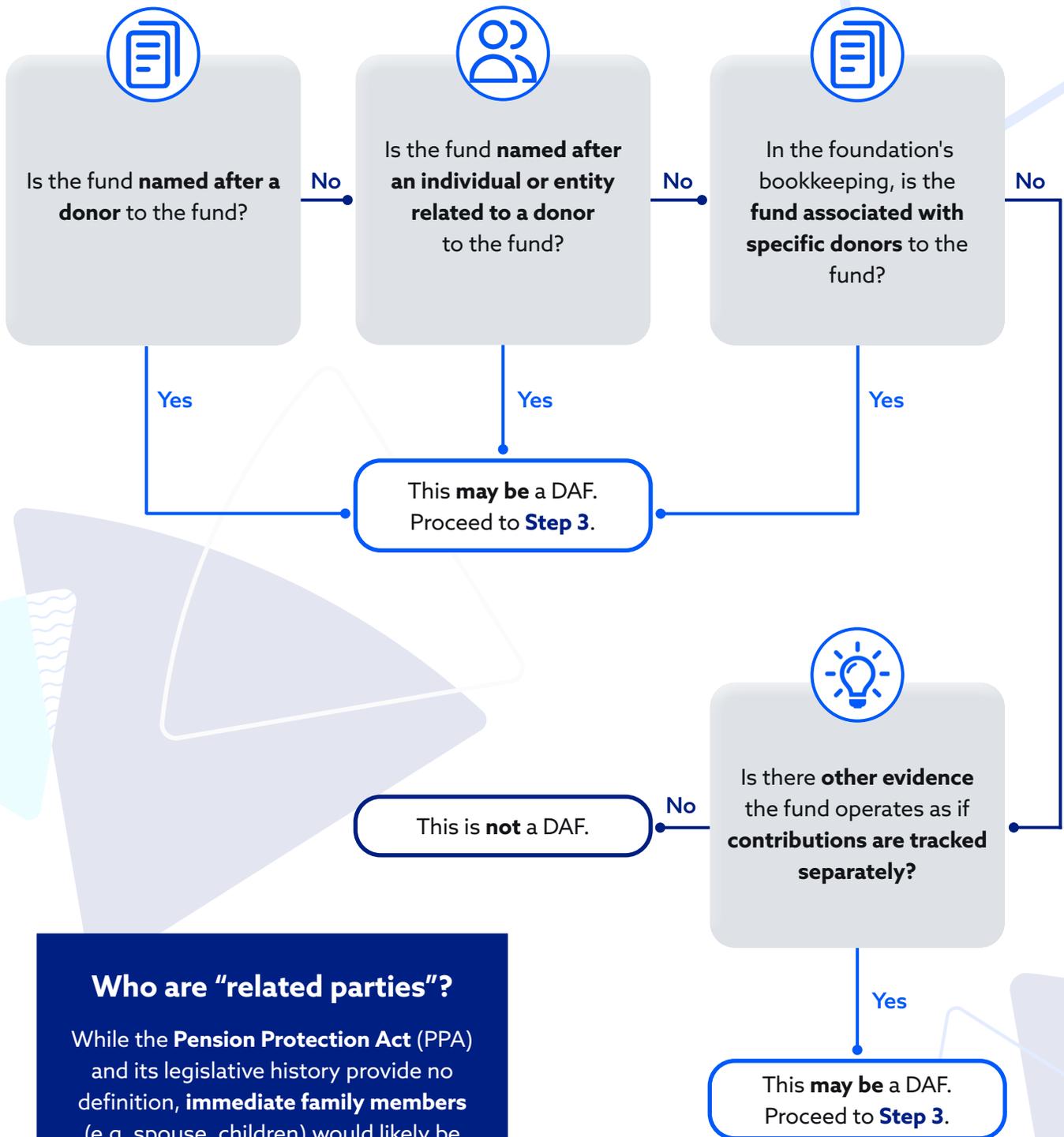
Donor-advised funds (DAFs) are a type of charitable giving account administered by a public charity, where donors contribute assets, receive an immediate tax deduction, and recommend grants to nonprofits over time. They are a popular way to support charitable causes while working in partnership with a sponsoring organization. This resource helps clarify how DAFs are defined and classified under federal law.

Step 1: Does the donor* have, or expect to have, advisory privileges over distributions or investments?



* The word "donor" is used in this document for brevity, but it refers to (1) donors and (2) persons appointed or designated by the donor.

Step 2: Is the fund distinctly identified by the donor's contributions?



Who are "related parties"?

While the **Pension Protection Act (PPA)** and its legislative history provide no definition, **immediate family members** (e.g. spouse, children) would likely be considered related parties. **Businesses controlled by donors** also are likely to be considered related.



Step 3: Does the fund fall within an exception established by the Pension Protection Act?



Does the fund only make distributions to a **single named organization or government entity**?

No

Yes

This is **not** a DAF.
For the exception, see **IRC §4966(d)(2)(B)(i)**.



Is the fund **advised by a committee**?

Yes

No

This **is** a DAF.



Do the donor or related parties **serve on the committee** or have other **advisory privileges** over the fund?

Yes

No

This is **not** a DAF.



Is the fund set up to **help individuals with travel, study, or similar purposes**?

No

Yes

(Continued on page 4)



Do the donor or related parties **control the committee**, either directly or indirectly?

No

Yes

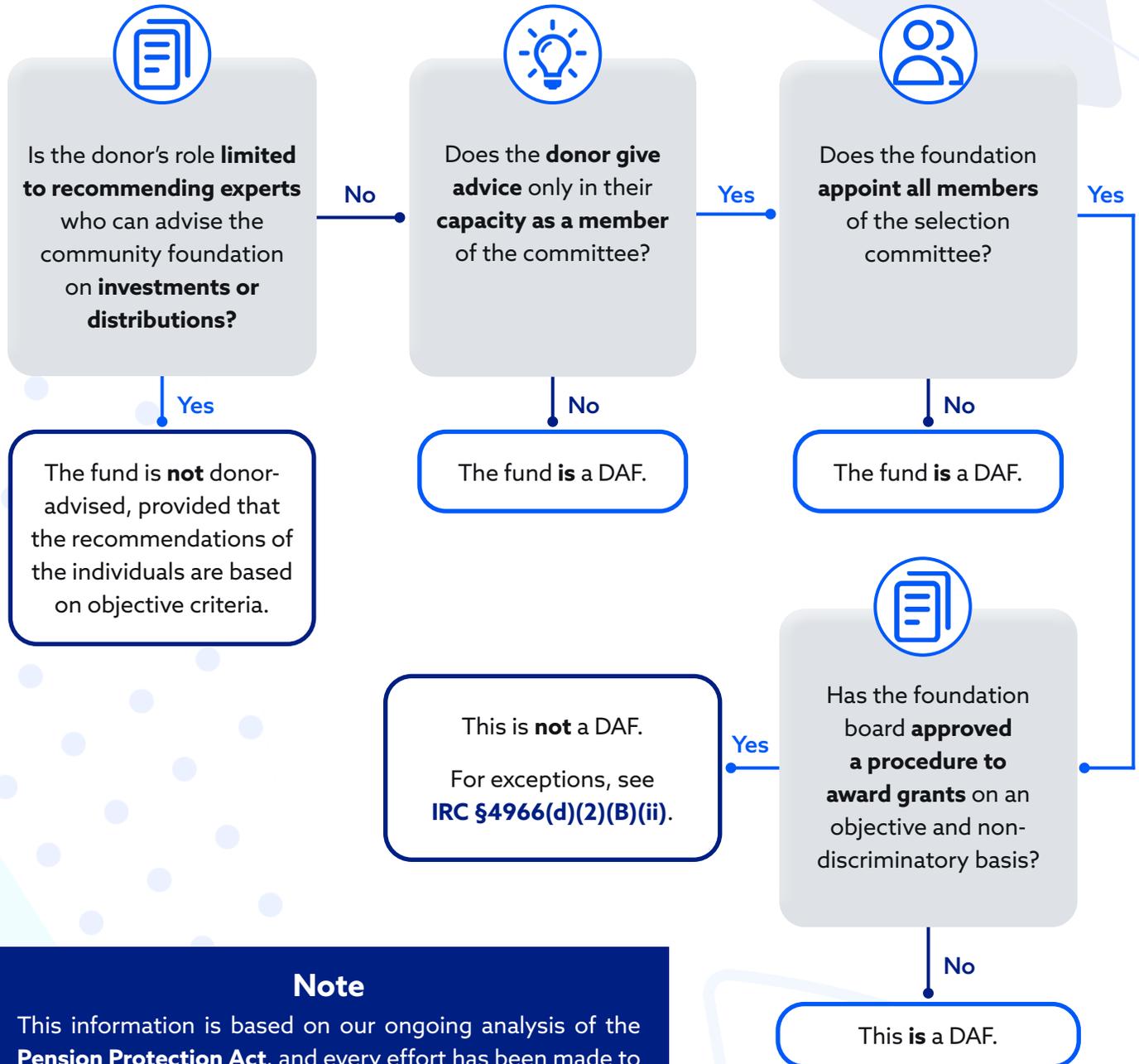
This **is** a DAF.

The Treasury Secretary can **exempt certain committee-advised funds** from being treated as donor-advised. So far, only employer-connected disaster relief funds meeting specific requirements are exempt; all others are considered donor-advised.



Step 3: Does the fund fall within an exception established by the Pension Protection Act?

(Continued from page 3)



Note

This information is based on our ongoing analysis of the **Pension Protection Act**, and every effort has been made to ensure accuracy. However, because the Act is complex and introduces new issues to the Internal Revenue Code (IRC), **this information is subject to change** and is not a substitute for legal, tax, or other professional advice. Grantmakers and donors should consult their legal counsel to understand how the PPA affects their situation, and this information cannot be relied on to avoid penalties under the IRC.

Learn More

For more information, contact the Council on Foundations' Legal Resources Team at legal@cof.org.

