



Donor-Advised Funds Removed from IRS Dirty Dozen List

Washington, DC—The Council on Foundations praised the IRS today for removing donor-advised funds from its annual Dirty Dozen List of Tax Scams. This is good news for philanthropy, which has long maintained that donor-advised funds are a key tool for stimulating philanthropic giving. The Council asked the IRS to remove donor-advised funds from the list because Congress acted in 2006 to regulate advised funds and to give the IRS the tools it needs to punish those who abuse this form of giving.

Its an important step that validates the need for and legitimacy of donor-advised funds, said Council President and CEO Steve Gunderson.

At a time when society is increasingly relying on philanthropy to find innovative solutions to our challenges, donor-advised funds allow individuals of more modest means to become philanthropists. And, donor-advised funds ensure donors are well-informed about need, so their generosity can have maximum impact in the community. At the same time, Gunderson restated the Councils commitment to support, encourage, and educate its members to adhere to the highest ethical and legal standards in their work.

A donor-advised fund is a charitable vehicle in which a donor contributes cash or assets to create a fund in a sponsoring organization, such as a community foundation. The sponsoring organization educates the donor or someone the donor names, about community needs and about the charities that are working effectively to address those needs. Based on that information, the donor or donor-designee recommends where the sponsoring organization should use the funds. The sponsoring organization ensures that the funds distributions and investments comply with all legal requirements.

The integrity of donor-advised funds was called into question several years ago because some regulators worried that wealthy individuals could use donor-advised funds to control their assets—thereby abusing the tax system. But, the Council and others in the philanthropic field say that sponsoring organizations, such as community foundations, provide a safeguard by advising donors on need and performing all legal obligations on the donors behalf.

The Pension Protection Act of 2006 was a milestone for the field of philanthropy, Gunderson noted. For the first time, Congress legally defined donor-advised funds, thereby recognizing them as a key philanthropic tool. Now, we ask IRS to issue prompt guidance clarifying how the Act applies in several key areas, including how the law affects scholarships offered by membership organizations.

The Council on Foundations is a Washington, DC, area-based nonprofit membership association of more than 2,100 grantmaking foundations and corporations. The assets of Council members total more than \$282 billion. As the voice of philanthropy, the Council works to create an environment in which the movement can grow and thrive, and to provide Council members with the products and services they need to do their best work. For more information on the Council, visit its website at www.cof.org.