

SEO DETAILS:

Page Title: Donor-Advised Fund Regulations: Definitions, Privileges and More | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] covers the benefits of donor-advised funds (DAFs) for efficient charity fundraising, including tax-free investment growth and simplified contributions.

Headline: Donor-Advised Fund Regulations: Definitions, Privileges and More

BODY COPY:

These days, [donor-advised funds \(DAFs\)](#) are a popular option to raise money for charity. Not only do these funds allow for tax-free growth of an investment, but they're also easy to contribute to and come with a number of potential tax benefits. Plus, DAFs can help to simplify recordkeeping.

Still, because there have been some recently proposed changes to DAF regulations, it's important that anybody who contributes to or organizes one of these funds be aware of these changes and their potential implications.

What Is a Donor-Advised Fund, Anyway?

More specifically, a donor-advised fund is an account that receives contributions from one or multiple donors to a specific charity, organization or cause. These funds are also owned and controlled by a sponsoring entity, which can be either an individual or another organization.

DAFs must also have at least one donor or donor-advisor acting as an authority over the account. This authority is responsible for making decisions regarding distributions and/or investments.

Proposed Regulations for Donors, Donor-Advisors and More

In November 2023, the United States Department of Treasury and the Internal Revenue Service issued some proposed changes to regulations surrounding DAFs.

One of the most notable proposed changes here is related to the actual definition of a donor-advisor. Specifically, under the proposed changes, the definition would become more general and could potentially include personal investment advisors. While these personal advisors would not be permitted to receive payments from these funds, they could be in a position to make decisions regarding investments and distributions.

Speaking of distributions, the definition of what qualifies as a distribution would also become more broad under the proposed guidance. Specifically, the definition of a distribution would be expanded to include fee-for-service arrangements that are made to non-charities. This could include, for example, payments made to an accountant as part of a charitable contribution.

Proposed changes to DAFs may also include a new definition of what qualifies as a taxable distribution. Specifically, an "anti-abuse" provision is being recommended—but many argue that this comes with an increased risk that may affect donations and contributions negatively in the long run.

Exceptions and Taxable Distributions

These proposed changes have caught a lot of attention, especially from investors and those who maintain DAFs themselves. It is worth noting, then, that there have also been some proposed exceptions to the changing definition of a DAF. These include exceptions for:

- **Single Identified Organizations** - Funds that are established to make distributions to an organization that operates for charitable, religious, literary, scientific or religious purposes.
- **Statutory Scholarships** - Funds means to be used for travel, study or similar purposes.

What Does This All Mean?

Since the Department of Treasury and the IRS proposed these changes during the fall of 2023, there has been a lot of discussion and debate. Many financial advisors, donors and sponsoring organizations are understandably concerned about the impact these potential changes could have on their own funds and programs.

It is worth noting, of course, that comments from interested parties are always accepted when changes are proposed—and many individuals and organizations have come forward to formally express their concerns. As of May 2024, the Department of Treasury and IRS are assessing the comments that have been submitted. Because 2024 is an election year, it is anticipated that any finalizations to these proposed changes will take place before the end of the year.

It is also worth noting that even once these proposed changes go into effect, they will not actually be applicable until the following tax year.

The Bottom Line on DAFs and Beyond

Only time will tell what this year will hold for donor-advised funds and their definitions, privileges and exceptions. Those who have not submitted their comments and concerns to the Department of Treasury are encouraged to do so, as final decisions have not yet been made.

For those who operate a DAF or regularly contribute to them, now would also be a good time to check in with a financial advisor and discuss the potential implications of these changes to DAFs. If these changes do end up being enacted, it will be important to have a plan in place to protect investments and distributions ahead of time. In this sense, being proactive can make all the difference while providing some peace of mind in the process.

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If you have any questions or would like additional information, please contact [NAME] in our [DEPARTMENT] at [NUMBER] or [EMAIL].

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