

## Managers of Donor-Advised Funds Wary of New Rules

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*The Chronicle of Philanthropy*

May 3, 2007

Organizations that manage donor-advised funds could soon face a wave of new rules, as the Internal Revenue Service weighs recommendations aimed at curbing abuse by donors who use the funds as tax shelters and not for charitable benefits.

As part of the Pension Protection Act of 2006, passed in August, Congress ordered the Treasury Department to investigate donor-advised funds and make recommendations on their use.

As part of that process, the Internal Revenue Service is collecting comments from the public on the subject — an early step in a process that could ultimately force the funds to disclose more information about their donors and grants and might require them to distribute a minimum amount to charity each year.

Staff members of the Senate Finance Committee say they will be looking closely at the IRS recommendations to determine whether Congress needs to place new limits on the funds.

Some lawmakers have proposed requiring donor-advised funds to distribute at least 5 percent of their aggregate assets each year — a move that would put the funds in line with rules that require private foundations to annually contribute at least 5 percent of their assets to charity.

Four groups in the Chronicle's survey failed to meet that 5-percent threshold in 2006 — Harvard University, the University of Alabama, Ohio University, and the National Heritage Foundation. Eighteen groups, meanwhile, gave away more than 30 percent of their assets as grants.

The National Committee for Responsive Philanthropy, in Washington, recently told the IRS, in response to its request for comments, that the government should require each individual donor-advised fund account to distribute at least 6 percent of its assets annually.

The watchdog organization is also pushing for increased public disclosure of who is creating donor-advised funds — and how the money in those funds is being used.

Donor-advised funds are "a charitable vehicle with great positive elements for philanthropy," says Aaron Dorfman, the committee's executive director. "But some people, through ill will or inattention, have turned them into places to just warehouse funds. That's not helping anyone. That's not their original intent. The financial-services companies, some of them seem to be more interested in continuing to manage the assets and preserve the tax breaks for their best clients rather than serving as a philanthropic entity."

### Distribution Rates

Many officials at donor-advised funds, however, see the committee's recommendations as burdensome and unnecessary. With the median distribution rate for donor-advised funds at above 17 percent, according to The Chronicle's survey, creating minimum giving standards would be superfluous and costly, says Kim Wright-Violich, president of the Schwab Fund for Charitable Giving, in San Francisco, which distributed more than 16 percent of its assets in 2006.

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