DONOR-ADvised FUNDS

Philanthropy Northwest’s Position

We favor regulation to increase transparency and payout of donor-advised funds to enhance charitable giving in a manner that fosters a more equitable and prosperous region. We also support increased education and research to help us deepen understanding of the complexities and considerations to inform our stance on specific proposals.

Background

Donor-advised funds (DAFs) are a type of donor giving account housed at some public charities, including many community foundations and the charitable arms of financial firms. After setting up an account, donors put tax-deductible donations into a DAF, which is invested while donors recommend grants out to nonprofits over time. DAFs held $234 billion as of 2021 and are increasingly popular among wealthier donors – growing even faster than private foundations. But there is no evidence that DAFs have increased overall charity, and research has surfaced many concerns about their accountability to the public good.

- **Donations put into DAFs count as charitable tax deductions, but DAFs never have to give the funding to charity.** Some DAFs are generous, but a fifth or more give away less than 5% per year and some donate nothing to communities – even during times of crisis. DAF sponsors also collect account fees based on a percentage of the assets held in DAFs, so they make more money when funding is not given away.

- **Some DAF grants do not go to charity.** Roughly 4-11% of DAF grants go to other DAFs, not charities. Some private foundation grants go to DAFs too. Private foundations must grant out 5% of their assets each year and disclose where they give grants, but can avoid both rules by giving to a DAF they manage instead – resulting in no increase in charitable giving.

- **Information on DAF accounts is scarce.** Collecting more data without compromising donor anonymity can help develop transparency and accountability, as many charities find DAFs confusing or difficult to work with.

We welcome opportunities to partner in continuing conversations as Congress considers changes to DAFs. Our network represents many DAF sponsors, including many local community foundations in the Northwest. We facilitate and participate in DAF conversations and research across the sector to inform our position.