



Wayne County
COMMUNITY
FOUNDATION

Donor Advised Fund Do's and Don'ts

A Donor Advised Fund is one of many types of funds you can establish at the Community Foundation. Field of Interest Funds, Designated Funds, unrestricted Community Funds, and Scholarship Funds are also popular and can make a big difference in the community while also fulfilling your goals for tax and charitable planning.

If you've established a donor-advised fund at the Community Foundation, you know it's useful because it allows you to make a tax-deductible transfer of cash or marketable securities that is immediately eligible for a charitable deduction. Then, you can recommend donations from the fund to your favorite charities to meet community needs as they emerge.

Your gifts to your Donor Advised Fund are tax deductible transfers to the Community Foundation, which is a charitable organization recognized under Internal Revenue Code Section 501(c)(3). The Community Foundation follows the Internal Revenue Service's requirements that disbursements from your Donor Advised Fund meet certain important qualifications to preserve that charitable tax status—for everyone's benefit. It's a good idea to periodically review a few types of disbursements that don't meet the IRS's rules and therefore are not permissible donations from your Donor Advised Fund. For example:

- A Donor Advised Fund cannot be used explicitly to satisfy a personal pledge to a charitable organization, such as to a capital campaign. The team at the Community Foundation is happy to work with you to develop ways you can achieve your intentions to support your favorite organization's fundraising goals. Please reach out if you are in this situation.
- Because donor-advised funds at the Community Foundation fall under a different (and more favorable) set of IRS rules than private foundations, a Donor Advised Fund is restricted from supporting a private family foundation. Please reach out to the Community Foundation team to learn more about this requirement. We'd love to explore how your Donor Advised Fund and your private family foundation can work together to achieve your charitable goals. Some fund holders even decide to close their private foundation and consolidate their giving with the Community Foundation to achieve greater impact, save on expenses, and achieve better tax results.

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- A Donor Advised Fund can't be used to buy tickets to fundraising events, such as galas and golf tournaments, where the cost of the ticket is not fully tax deductible. The reason for this is that the IRS views the taxpayer as receiving benefits from the event (food, drinks, swag), and this "private benefit" muddies the waters of tax deductibility. Even if a portion of the ticket is deductible according to the charity, it's still not a permissible distribution from a Donor Advised Fund. Please reach out to the team at the Community Foundation if you're asked to sponsor a charity's fundraiser. We are happy to discuss solutions to achieve both your charitable goals and goals for getting involved with the event.

We look forward to hearing from you! As always, the Community Foundation team is honored to be your first call when you encounter a question about your donor-advised fund or any other charitable giving opportunity.

Let's connect.

Email: contact@wccfoh.org

Phone: 330.262.3877

www.WayneCountyCommunityFoundation.org

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It is not intended as legal, accounting, or
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