A donor-advised fund (DAF) is an investment account used for charitable giving. It is composed of donations made by individuals and administered by a third party. The third party is called the sponsoring organization. It offers an immediate tax relief and allows you to support your favorite charities immediately or over time.

This information is intended as a summary of current guidelines for accepting gifts from donor-advised funds and private foundations. This is not intended as legal advice. Donor-advisors should consult their donor-advised fund (“DAF”) manager, tax advisors, and/or legal counsel to determine the tax treatment of their proposed contributions and any other restrictions that apply to these grants.

**Grants/Gifts**

As a donor, you make an irrevocable gift to a donor-advised fund and receive a tax deduction for the year the gift is made. Once this contribution is made, the sponsoring organization has legal control over the funds and you, the donor, can make grant recommendations to the charity of their choice. You can make it a one-time gift or set it up as a recurring recommendation indefinitely or with an end date.

**Pledges**

Although a donor-advised fund may not pledge account assets to Section 501(c)(3) and 501(c)(4) organizations, you may notify the organization verbally or in writing about the intention to make a grant recommendation and include the following recommended language:

“I intend to recommend a grant from a donor-advised fund. This notification shall not be construed as a legally binding commitment.”

**Events**

Under federal law governing donor-advised funds, it is not permissible for donors to split, or “bifurcate,” payments for tables or tickets when a portion of the purchase is not tax-deductible. This means that donors may not recommend a grant through a DAF or a private foundation for the deductible portions of a table or ticket purchase and then pay the non-deductible portion from a personal source.

If a portion of event admission is not tax deductible, your DAF can support the event in the following ways:

1. If you would like to attend an event and make an additional contribution, you may pay the full price of admission (non-deductible and deductible portions) from a personal source outside of your DAF. Then you may recommend a grant from your DAF. The John Michael Kohler Arts Center is pleased to recognize both your personal and DAF contributions in all event-related materials.

2. If you purchase a table or tickets and donate them back to JMKAC (and not attend the event), you may recommend a grant from your DAF or foundation, noting that the requested table or tickets shall be donated back to JMKAC.

Donating through a DAF limits the donor benefits you may receive. Because a full tax deduction is received at the time of establishing the DAF, donors may only receive “incidental” benefits, or benefits which do not carry a fair market value. There are penalties for receiving more-than-incidental benefits for a DAF gift. The U.S. Pension Protection Act of 2006 imposes an excise tax on any donor, donor advisor or family member who recommends a grant that results in “more than incidental benefit.” The sponsoring agency can be penalized as well.

For questions related to grants recommended through your donor-advised fund or foundation, please consult with your fund advisor or legal counsel for definitive tax treatment.

Thank you again for your continued support of the John Michael Kohler Arts Center.