Ray Madoff
Professor of Law
Director, Forum on Philanthropy & the Public Good
Boston College Law School
885 Centre Street
Newton, MA 02459

Roger Colinvaux
Professor of Law
Columbus School of Law
The Catholic University of America
3600 John McCormack Rd., NE
Washington, DC 20064

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The Honorable Orrin G. Hatch Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Hatch,

and The Catholic University of Amer ( ) Tj ET Q q 0.24 0 0 0.24 429.2227 3

nation's workforce.

The main reason for charitable tax benefits is to increase the flow of dollars to organizations engaged in charitable work. But right now, too many tax-subsidized contributions are being set-aside indefinitely—subject to no obligation for them ever to be put to active charitable use.

Accordingly, we focus our comments on two areas: channeling the incredible fundraising success of donor-advised funds to encourage more distributions from these funds to active charities; and improving the impact of private foundations by closing a loophole in the minimum payout rule and by making incentives for larger payouts more effective.

Donor-advised funds (DAFs) have been one of

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purposes. From their infancy in the 1990s when the first commercially affiliated funds formed until today, DAFs have grown to dominate the charitable landscape. As reported by the Chronicle of Philanthropy, Fidelity Charitable is today's largest charity in terms of donations funds a DAF in 2017 would be required to name a charity that would receive any remaining funds in the 2017 account by 2027.[4] DAFs would maintain their flexibility because donors could change their charitable designations by simply making distributions from that account before the termination date. A maximum distribution period would not undermine the effectiveness of DAFs or their appeal to donors. It would simply establish a limit that would ensure that tax-benefitted dollars are granted to nonprofits within a reasonable period of time.

In 1969 Congress became concerned that private foundations were providing too many tax benefits to donors, without any assurances that donated funds would benefit the public in a timely manner. In order to address this concern, Congress enacted a rule that required private foundations to distribute roughly five percent of their assets each year to public charities.[5] Sensibly, the payout rule could not be evaded by a private foundation making distributions to other private foundations, because then the funds would simply await further distribution by that foundation.

Since the rise of donor-advised funds, some private foundations have been meeting their payout requirements by making grants to DAFs that are established by the foundation.[6] The foundation can then advise distribution of the grant from the DAF to an active charity at a later date. This historic distribution rate, then for that year the excise tax is reduced to one percent. This two-tiered system