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Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Hatch and Ranking Member Wyden:

We write in response to the letter of September 6, 2017, from charitable industry representatives about our letter to you of July 17, 2017, regarding the proper taxation of donor advised funds (ÒD0o q 0.2l(ÒD0o q 0.2l(ÒD0o q 0.2l(adoption of tax

rules that support charities in getting the funds they need to do their important work.

In laying out our case in favor of requiring a payout from DAFs, we made four basic points regarding DAFs and cited relevant authoritative data. These points are as follows:

1. While DAFs have grown astronomically, there is no evidence to suggest that the

any way. The letter authors therefore attributed to us a statistic we did not use, and then critiqued us for misusing it.[1] We do not know whether this inaccuracy was deliberate or the result of sloppiness, but whatever the reason, it casts doubt on the credibility of their entire testimony.

The industry letter also misrepresents the data on payouts. In support of our point that many DAF

While the industry letter contains several other misstatements and mischaracterizations, we want to return to the reason we wrote our letter: to encourage Congress to adopt rules that will ensure that donations that receive the tax benefits of charitable giving, become fully available for use by charitable organizations within a reasonable period of time. We urge you to act promptly because donor-advised funds are undergoing extraordinary growth and DAF sponsors are receiving an ever-greater portion of charitable contributions. In 2007 contributions to DAFs were 5% of all charitable contributions and by 2014 this percentage had grown to 10%.[5] Moreover, there is every reason to think that this exponential growth will continue. Just this month Fidelity Charitable announced that contributions to donor-advised funds held by Fidelity Charitable skyrocketed to $6.85 billion in the fiscal year that ended June 30, 2016, a 68 percent increase over the previous year.[6]

The reason DAFs are experiencing such extraordinary growth is because of the tremendous tax benefits that they offer donors while allowing donors the ability to effectively control their donations. In considering the proper regulation of DAFs, it is important to remember that these tax benefits to donors are not free of cost but are borne by the larger taxpaying public, and that Congress has often legislated when donor control issues are present.

First, DAFs enable donors to claim a charitable deduction in years when the donor is in the highest income tax brackets, while still allowing the donor to defer full release of the donated

private foundations advance a “genuine charitable objective.”[9] However, these testimonials fail to address the larger point. That is, whether private foundations should be allowed to skirt payout requirements by making contributions to DAFs. The industry letter acknowledges that this use is