

Community Foundation Proposals

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In 2005, grants totaling \$3.2 billion were awarded by 641 community foundations to benefit American communities. Tens of thousands of donors give voluntarily to make these grants possible. They deserve the maximum consideration under current tax law. These are our key recommendations to our lawmakers in Washington:

- **Make the IRA Charitable Rollover permanent and extend it to gifts over \$100,000.** For the first time in 2006, IRA owners over 70 ½ were allowed to transfer up to \$100,000 directly from their IRA to qualified public charities. The measure expires after 2007, but President Bush has proposed in the 2008 budget to make it permanent.

Background: The Pension Protection Act of 2006 was passed in August, 2006, creating a situation where many donors and advisors did not have sufficient time or notice to make IRA gifts. For those that were able to use their IRA, most made larger gifts than usual. At least \$25 million has been given already and more is given daily. Extending the IRA Charitable Rollover will allow Americans to tap their extensive retirement savings for public benefit through charitable giving.

- **Allow donors to make charitable IRA rollover gifts to donor-advised funds.** The Pension Protection Act defined and regulated donor-advised funds, which are popular vehicles for charitable giving overseen by public charities like community foundations. Now that donor-advised funds have been regulated, they should also qualify for the IRA charitable rollover.

Background: People should have the choice of how they wish to make gifts to charity. Donor advised funds generally pay more out in grants than the 5% payout required of private foundations. Many thousands of charitable supporters use these funds regularly and would add to them if this provision is adopted. Moreover, by having IRA administrators make checks directly payable to charities, the IRA was in effect made into a donor-directed fund but without the oversight provided by charitable sponsors of donor-advised funds.

- **Allow civic groups to use Community Foundation donor-advised funds for charitable activities.** The Pension Protection Act prohibits donor-advised funds from making gifts to individuals, including scholarships. It does establish some safe-harbor rules that allow donors to play a minority role in a pre-approved scholarship process. However, under the definitions of the law, the definition of “donor” is unclear and can be understood to mean alumni groups, service clubs, professional associations, fraternities, churches, and fundraising groups that establish scholarship funds with community foundations. These groups are being forced to add multiple outside members in order to avoid triggering the fines that are meant for donor-advised funds created by individuals and families. The definition should be clarified to exempt groups of multiple donors and civic organizations.

Background: Funds at community foundations are often an alternative to starting a private foundation or public charity. Community foundations actually help reduce the number of nonprofit organizations by providing back-office support for charitable activities. They also monitor to ensure that funds raised by fundraising events are appropriately used. By using a community foundation as the scholarship fund sponsor, civic groups secure professional oversight, investment management, application processing, and application renewal support. They are also able to make more money available for scholarships rather than administrative costs.