



DAF Regs Updated

June 18, 2024

Not everybody makes contributions to donor-advised funds (DAFs), but the concept has become more popular with the expanded standard deduction. Many people who had been making donations to their favorite charity, whose overall deductions didn't rise to the level of the standard deduction, suddenly found that their charitable contributions were no longer providing a tax benefit.

Enter the donor-advised fund, which collects contributions today, and donations to specified charitable organizations can be made, out of the fund, at a future date. This makes it feasible for people to contribute five years' worth of donations in a single year. Presto! The donations plus other deductions would exceed the standard deduction, and the tax benefits of the donations are restored.

But the concept has come under recent scrutiny from the Internal Revenue Service. The IRS can't tell taxpayers they cannot bunch multiple years of contributions into a single year, but it CAN add some enforcement to how the distributions are made. A new proposal would create a tax penalty on any donation that are made to disqualified entities—that is, a recipient of the donation that is a family member of the donor, a related person or a board member of the fund. In addition, all donations are required to be awarded on an objective and nondiscriminatory basis according to procedures specified and approved in advance. The tax penalty would amount to 20% of the amount granted, and the donation would have to be returned.

Sources:

<https://www.federalregister.gov/documents/2023/11/14/2023-24982/taxes-on-taxable-distributions-from-donor-advised-funds-under-section-4966>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

Please feel free to forward this article and offer to anyone you know who might have financial questions or need some unbiased advice. Most financial advice is sales advice. In stark contrast, we are fee-only (non-commissioned) fiduciary advisors. We just provide truthful, unbiased advice to our clients.



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