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Central Montana Foundation Donor-Advised Funds

What is a Donor-Advised Fund?

Definition: A donor-advised fund (DAF) is an account established by one or more donors, but owned and controlled by a public charity (CMF) to which donors or other individuals designated by the donors could provide nonbinding recommendations regarding distributions from the account or regarding investment of the assets in the account. (IRS, Notice 2006-109, .01)

A DAF has become a popular philanthropic tool administered by public charities like Central Montana Foundation (CMF). Organizations, families or individuals establish a DAF with an initial tax-deductible contribution to a public charity (CMF). The contribution can be endowed and donors can recommend grants to qualified nonprofit or tax-exempt organizations over time. Or, the contribution can be non-endowed and donors can recommend grants until the balance is spent.

Benefits:

Donors who set up a DAF can:

- Receive an immediate tax deduction the year they put money in the DAF. For endowed DAFs, the donor can recommend grants from the contributions and investment gains to his or her choice of recipients (as long as they are tax-exempt or non-profits), over as long as period as desired. For non-endowed funds, the donor can make recommendations for grants until the balance is spent.
- There may be tax savings on capital gains: If the donor donates appreciated assets such as securities or real estate, they may avoid capital gains on the appreciation.
- There’s no tax on the fund’s growth, providing a low-fee alternative to setting up their own foundation.
- Create a charitable legacy by naming successor(s) to the account.

Details:

- Donor-advised funds are irrevocable and the donor doesn’t “own” the fund once the fund is established.
- The charitable organization (CMF) allows the donor to make recommendations on how the funds are granted. Those recommendations are followed as long as grants are to eligible entities.
- Grants can be awarded to tax-exempt government entities or organizations that meet non-profit 501(c)(3) eligibility as defined by Internal Revenue Code and are located in the United States.
- IRS prohibits a DAF from providing support to a single identified organization or tax-exempt entity or for the benefit of a single identified charitable purpose.
- IRS prohibits a DAF from providing advice for a distribution that results in any such person receiving, directly or indirectly, a more than incidental benefit. (Scholarships can be awarded, but a family member wouldn’t be eligible to receive the scholarship.)

For more information, please contact CMF at 406.538.6130 or email us at: cmtfoundation@midrivers.com