

# Guide for DAF Grant Recommendations

## Restrictions - No Goods or Services, Pledges, Etc.

- 1. Grants to a charity must be solely for the benefit of the charity**, and the donor cannot receive any goods or services in exchange, or any private benefit.
- 2. Grants from a DAF are not permitted to purchase or fund:**
  - a. Tickets for a charitable event (e.g., benefits, galas, golf outings)
  - b. A table at a charitable dinner
  - c. Goods purchased at charitable auctions
  - d. School tuition
  - e. Membership fees (however, synagogue dues **are** permitted as an IRS exception to this rule)
- 3. Grants from a DAF cannot fulfill the following:**
  - a. A pre-existing, legally enforceable pledge. Please do not use the word “pledge” anywhere in your grant recommendation
    - i. However, in response to an organization’s request for a contribution to their annual campaign or other purpose, you may tell organizations that you “intend to recommend a grant from your DAF in the amount of \$\_\_ [insert amount of grant]”. This way they know your grant recommendation is being made in response to their request for a contribution.
  - b. Lobbying, political contributions, or to support political campaign activities
  - c. A private non-operating foundation
  - d. A scholarship or grant given directly to an individual
- 4. Grants cannot be used as a tax deduction** since the donor(s) received a tax deduction when a contribution/gift was made to the DAF

## Grant Awards

1. Upon approval of the grant, we mail a check and an accompanying grant award letter informing the recipient organization that they have received a grant from the fund. While the recipient organization cannot issue a tax receipt, they may send a thank you note. SWCF will forward mail received on behalf of the fundholder.
2. The grant award letter accompanying the grant check will include the following information:
  - a. The name of the Fund from which the distribution is made.
  - b. The name of the Advisor(s);

Grants can be anonymous upon request. Advisors must indicate whether this is a one-time anonymous grant or if all grants from the DAF should be anonymous.

## Incidentals, Excise Tax & Penalties

Please also note that the definition of “incidental” or “more than incidental” may vary based on the situation. In general, items of financial value such as tuition payments or tickets to events are considered more than incidental. Smaller items of negligible value such as a coffee mug or keychain may be considered incidental.

There are excise taxes and penalties charged in cases where there is deemed to be improper use of a donor-advised fund for purposes such as the above. For example:

1. A penalty excise tax of 125% of the benefit is assessed against a donor or advisor who receives a more than incidental benefit from a DAF.
2. Section 4 of IRS Notice 2017-73 addresses the topic of personal pledges
3. The IRS website can be referenced for additional information/background: [DONOR ADVISED FUNDS GUIDE SHEET EXPLANATION \(irs.gov\)](https://www.irs.gov/charities-non-profits/donor-advised-funds-guide-sheet-explanation)

