



Reporting for Organizations that Hold Donor-Advised Funds

Effective Date: New Form 990 reporting is effective for taxable years ending after August 17, 2006. New Form 1023 requirements are effective for organizations applying for recognition of exempt status after August 17, 2006.

If our organization holds donor-advised funds, what information must we now provide on Form 990?

A sponsoring organization, such as a community foundation, must now disclose the:

- (1) Number of donor-advised funds owned;
- (2) Aggregate value of assets held in donor-advised funds at the end of the tax year;
- (3) Aggregate contributions to donor-advised funds during the year; and
- (4) Aggregate grants made from donor-advised funds during the year.

What information will a new organization be required to provide to the IRS if it intends to offer donor-advised funds?

New organizations filing Form 1023 to receive recognition of tax-exempt status, will be required to disclose whether the organization intends to maintain donor-advised funds and information about the manner in which the organization will operate the donor-advised funds program. Legislative history indicates that such information about operations will include procedures the organization will use to communicate to donors and advisors that assets in donor-advised funds are the property of the organization and procedures intended to ensure that distributions from donor-advised funds do not result in more than an incidental benefit to any person will also be required.

DISCLAIMER

The information provided in this booklet is based on our continuing analysis of the bill. Every effort has been made to ensure accuracy of these documents. However, due to the complexity of the bill and the fact that many of these provisions introduce issues that are new to the Internal Revenue Code, please understand that this information is subject to change. The information is not a substitute for expert legal, tax or other professional advice and we strongly encourage grantmakers and donors to work with their counsel to determine the impact of this legislation on their particular situations. This information may not be relied upon for the purposes of avoiding any penalties that may be imposed under the Internal Revenue Code.