

Perspectives on Proposed Philanthropic Regulations

In partnership with the United Philanthropy Forum, the Iowa Council of Foundations gathered feedback from our community foundation and private foundation members regarding proposed philanthropic regulations that have been discussed in several states and nationally throughout 2020. This report details the responses we collected from members in December 2020 that will help inform the ICoF Public Policy Committee's work and the development of the 2021 ICoF Public Policy Agenda.

Donor-Advised Fund Regulations

Background: There have been ongoing discussions in the state of California about requiring organizations that manage donor-advised funds (DAFs) to report how much each fund receives in contributions and directs out to charity. Currently, DAF sponsors report such information in the aggregate, across all the funds they manage, but not on a fund-by-fund basis.

Under the [Arnold-Madoff proposal, the Initiative to Accelerate Charitable Giving](#), another emerging DAF regulation proposal, DAF owners would be required to choose between two new categories of DAFs: 1) one that would allow donors to keep the current tax benefits if they distribute all the money within 15 years of creating their DAF; or 2) a longer-lived DAF, but giving up the charitable deduction until the assets are ultimately received by a charity. The proposal also encourages foundations to distribute a bigger share of their assets with a tax sweetener.

SURVEY PARTICIPANT SNAPSHOT – IOWA COMMUNITY FOUNDATIONS

- **10 participants** in the national survey
- Reporting assets **from \$1M to more than \$500M**
- Respondents average a **6.6% annual payout rate**

RESPONSES FROM IOWA COMMUNITY FOUNDATIONS

- **90%** of Iowa CF respondents do NOT support legislation requiring a mandatory payout for a DAF.
- **90%** of Iowa CF respondents believe that DAFs held within CFs should be treated more favorably than those managed by commercial entities, universities, hospitals, other charities, or mission-based and faith-based entities.
- **70%** of Iowa CFs believe the average 20% payout from DAFs signal they do NOT need a mandatory payout.
- **80%** of Iowa CFs believe all regulations and laws around DAFs should protect donor privacy.

Private Foundation Regulations

Background: The Arnold-Madoff proposal also includes proposed regulations for private foundations. Currently, private foundations must direct at least 5% of their endowments to charitable activities each year. The proposal would waive the excise tax on PF investment gains in years that the PF distributed at least 7%. Foundations that promise to close their doors within 25 years of opening would also be exempt from the tax each year. The proposal would also end the practice of letting gifts to DAFs count as part of a foundation's payout, and it would disallow family foundations from counting the travel and salary expenses of family members as charitable payments.

Additionally, [Patriotic Millionaires](#) are proposing a temporary three-year emergency mandate where private foundations would be required to double their payout from 5% to 10% as a response to the needs created by the pandemic. They also propose that same requirement apply to donor-advised-funds as well.

SURVEY PARTICIPANT SNAPSHOT – IOWA PRIVATE FOUNDATIONS

- 7 participants in the national survey
- Reporting assets from \$10M to more than \$350M
- Respondents average a 7.7% annual payout rate

RESPONSES FROM IOWA PRIVATE FOUNDATIONS

- **Nearly 86%** of Iowa PF respondents support legislation exempting private foundations from paying the current excise tax of 1.39% if they pay out 7% annually.
- **71%** of Iowa PF respondents do NOT support legislation requiring an increased payout rate for private foundations above the current 5%.
- **71%** of Iowa PF respondents support encouraging foundations to voluntarily increase payout in response to the pandemic.
- **71%** of Iowa PF respondents support legislation that would increase tax benefits for private foundations that pay out more than the mandated 5%.
- **57%** of Iowa PF respondents support a legislative waiver of the excise tax for private foundations that spend down within 25 years.
- **57%** of Iowa PF respondents support using their discretion to increase their grantmaking based on the needs in their communities and fulfilling their missions.

If you have any questions about this data or have additional feedback for the ICoF Public Policy Committee, please contact ICoF President, Kari McCann Boutell at kmccann@iowacounciloffoundations.org.