



Gifts from Donor Advised Funds to University of Chicago – Frequently Asked Questions

The University of Chicago welcomes gifts from several sources, including through donor-advised funds (DAFs). The Pension Protection Act of 2006 revised and expanded the provisions of the Internal Revenue Code governing DAFs. This FAQ sheet seeks to clarify the situations in which DAF grants can be accepted by the University. The University recommends that donor-advisors consult their DAF managers, tax advisors, and legal counsel for definitive tax treatment.

For additional information or questions, please contact the Office of Gift Planning at 773.702.3130 or giftplan@uchicago.edu. If needed when making a grant recommendation, provide the TIN (taxpayer identification number) 36-2177139, which may be used for gifts supporting any part of the University, including the Medical Center.

1. What is a donor-advised fund (DAF)?

A donor-advised fund (DAF) is a charitable giving account set up with and administered by a sponsoring community or financial institution (“DAF provider”). To establish a DAF, a donor makes an irrevocable gift of cash or other assets to the DAF provider and receives the maximum allowable charitable tax deduction. A donor or his or her designees (“donor-advisors”) may then make non-binding grant recommendations from the DAF to benefit qualified public charities.

2. Are there certain types of gifts/payments that cannot be made using a DAF grant?

Yes. Because a donor is entitled to a full tax deduction at the time the donor makes a contribution to a DAF, the Pension Protection Act of 2006 (PPA) provides that a donor, other donor-advisors on the DAF, and family members cannot receive “more than incidental benefit” in association with a recommended DAF grant. Though not expressly defined in the PPA, “more than incidental benefit” is considered any benefit(s) that would result in a reduced charitable deduction had the gift been made directly by the donor. Benefits of insubstantial or zero market value are considered “incidental” and are thus allowable.

3. Can I use my DAF to pay for the cost of attending a University fundraising event?

The University does not accept DAF grants for any portion of a fundraising event ticket or table. As noted above, DAF account holders and related individuals are not permitted to receive more than incidental benefits from a DAF grant, which grant must be 100% tax-deductible by the recipient charity. An exception is if the event is fully tax deductible (i.e. there is no non-deductible portion).

4. Can I use my DAF to pay solely for the deductible portion of the event price?

No. Splitting the cost of an event ticket between a DAF (for the deductible portion) and a personal check (for the non-deductible portion) is generally disallowed by DAF providers. This practice of “bifurcation” results in more than incidental benefit as the donor’s ability to attend the event directly results from the DAF’s payment of the deductible portion of the event cost.

5. Are there any options to use my DAF to support a University fundraising event?

Yes. If you do not plan to attend the event but would still like to make a gift to support the event, you can recommend a DAF grant in general support of the event. If you do attend the event, then you must pay for the cost of the event ticket/table separately and entirely out-of-pocket at the full ticket/table price—any DAF grant made in general support of the event must be over and above the full ticket/table price. We recommend that you notify the University and contact the DAF provider to clarify required language for these types of grant recommendations.

6. Are there penalties for a DAF grant that results in more than incidental benefit?

The PPA imposes a tax penalty on any disqualified person—which includes a donor, donor-advisor, or related person—who receives more than incidental benefit in connection with a recommended DAF grant. A penalty is likewise imposed on a fund’s managers who knowingly approve of a distribution resulting in such a benefit. DAF providers thus often require both the donor-advisor and recipient charity to verify that a recommended grant will not result in more than an incidental benefit.

7. Can I make a pledge to the University if I intend to use my DAF to fulfill the pledge?

You may not enter into a pledge agreement documenting a personal commitment to the University with the intention of paying that pledge through your DAF. However, you are welcome to sign a non-binding letter of intent detailing your plan to recommend a grant or series of grants from your DAF to benefit the University, which allows the University to acknowledge your giving intentions and provide appropriate recognition.

8. Can I use my DAF to make a payment on my existing pledge?

DAF grants cannot be used to satisfy a pre-existing pledge. Prior to making a grant recommendation to benefit the University, please ensure that your intentions meet any guidelines or requirements of your individual DAF provider as suggested by your fund’s managers.

9. Can I use my DAF to fund a gift annuity or charitable remainder trust?

Gift annuities and charitable remainder trusts will, in most cases, pay an income stream back to you, which constitutes a “more than incidental benefit.” Therefore, a DAF grant cannot be used to fund a gift annuity or charitable remainder trust.

This document is intended to provide general information that we hope will be helpful to you in your tax, financial and charitable planning. It is not intended as legal advice and should not be relied upon as legal or tax advice. For advice or assistance with your particular situation, you should consult an attorney or other professional advisor.