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Children's Fund of Connecticut

Christine Traczyk
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Foundation

Robert Haggett
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Paul Ballasy
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Thomas Fiorentino
Community Representative

Linda Franciscovich
The Grossman Family
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Amy Fry
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Foundation

Emily Tow Jackson
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Michael Johnston
Jewish Community Foundation
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Kathryn Luria
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Frederick Mayer
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Holly Nuechterlein
Louis Calder Foundation

Maggie Gunther Osborn
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Francis Padilla
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Foundation
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Guy Rovezzi
Community Foundation
of Northwest Connecticut

Christine Traczyk
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Foundation

Fahd Vahidy
Graustein Family Office

May 20, 2014

The Honorable Richard Blumenthal
724 Longworth House Office Building
Washington, DC 20510
Via email to: Richard_Blumenthal@senate.gov

Dear Senator Blumenthal,

The Connecticut Council for Philanthropy and Connecticut's community foundations need your help in fixing an issue and expanding an opportunity within the IRA Charitable Rollover that affects our ability to create and grow community philanthropy in Connecticut.

We ask you to please support extending the IRA Charitable Rollover and also ending the prohibition for Donor Advised Funds (DAFs) in the IRA Charitable Rollover. This should be an easy fix in the context of the extenders package because it would simply mean removing one line from current law; it would not require a wholesale redrafting of the provision.

As you may know, community foundations and their donors frequently use DAFs to achieve their charitable goals. Although the prevalence of DAFs varies from foundation to foundation, an example of their impact can be found in the Fairfield County Community Foundation, where more than \$14.5 million—79% of their grantmaking dollars—was awarded from donor advised funds.

Across the country, DAFs are a fast growing giving vehicle. During consideration of the Pension Protection Act (PPA) of 2006, Senator Grassley had concerns about isolated abuses in the DAF space, a primary reason that DAFs were excluded from receiving funds from IRAs. He also authored a number of reforms that were part of PPA (with bipartisan support). Among these are prohibitions against a donor using a DAF to direct gifts to individuals, private foundations or non-charitable purposes and recommending a gift that provides more than an incidental benefit to the donor-advisor.

Now, eight years later, these reforms have been a success, as demonstrated by the Treasury Department's study that found that PPA provided the structure to address abusive practices and concluded that the deduction rules related to DAFs should be the same as for other public charities. It also found that average **DAF payouts are nearly twice the 5 percent required of private foundations. Research also shows that this payout rate is as high as 16 percent at some community foundations.**

Now is the time to level the playing field for community foundations' DAFs. Treasury has said that since the avenues for abuse have been closed, DAFs should now be subject to the same rules as other philanthropic vehicles. Yet under the IRA Rollover, they are not. Currently, a donor can use the IRA Rollover to give to a university, hospital or art museum endowment but they can't build *community* endowment by contributing to a donor advised fund at their local community foundation. While the prohibition may have made sense in 2006, it is no longer needed and places Connecticut's community foundations at a distinct disadvantage compared to other charities.

Connecticut community foundations can give examples of how they lose donations each year because a potential donor, upon learning that they cannot use the rollover to open a DAF, chooses not to make a gift. The current prohibition limits the growth of giving as it restricts donor flexibility by codifying a preference of one type of charity over another.

Extending the IRA rollover and the DAF provision would have a positive impact in communities all across Connecticut. It is one of the top policy priorities for the roughly 750 community foundations in the country, as well as the 12 Connecticut community foundations signing this letter. Removing the prohibition will help promote community philanthropy at a time when the charitable sector is being asked to do more to help those in need.

Thank you very much for your attention to this matter. We all stand ready to answer any questions that you or your staff may have.

Sincerely,



Maggie Gunther Osborn, President
Connecticut Council for Philanthropy



Paula Van Ness, Chair
Connecticut Network of Community Foundations

Berkshire Taconic Community Foundation
Community Foundation of Eastern Connecticut
Community Foundation of Greater New Britain
Community Foundation of Middlesex County
Community Foundation of Northwest Connecticut
Connecticut Community Foundation
Fairfield County Community Foundation
Hartford Foundation for Public Giving
Main Street Community Foundation
New Canaan Community Foundation
The Community Foundation for
Greater New Haven
Valley Community Foundation