

Donor Advised Fund (DAF) Grant Guidelines

How to Use This Resource

This resource outlines key IRS requirements that apply to donor advised funds (DAFs) and is designed to help you understand, broadly speaking, what types of charitable gifts you can make through a DAF. Our Grants team performs due diligence for each grant you recommend out of your fund. If you have questions about a specific organization or grant you would like to recommend, your philanthropic advisor or gift planning advisor is a great resource.

New to DAFs at Seattle Foundation? View our [DAF Overview](#).

GRANT RECIPIENT ELIGIBILITY

ELIGIBLE

- **U.S.-based public charities** (specifically, 501(c)(3) public charities falling under code sections 509(a)(1) and 509(a)(2))
 - Includes schools, churches, hospitals
 - Can include U.S. affiliates of international organizations
- **Governmental units**, if the grant is for a public purpose (e.g. Does not provide impermissible private benefit). Includes federally recognized tribal governments or other tribal organizations
- **501(c)(3) private operating foundations**

ELIGIBLE UNDER CERTAIN CIRCUMSTANCES

- **Foreign charities.** Grants to foreign charities require additional due diligence (assuming no IRS determination letter): either expenditure responsibility (ER) for a project-based grant, or equivalency determination (ED) for a general operating grant. Expenditure responsibility is a due diligence process that ensures that a grant is spent for the intended charitable purpose. Equivalency determination is a legal opinion stating that the organization is equivalent to a U.S. public charity*
- **Supporting organizations** that meet certain criteria

INELIGIBLE

- **Private non-operating foundations**
- **Individuals.** DAFs may not make grants directly to individuals. A DAF may support programs such as scholarships, disaster relief, or missionary work administered by eligible organizations that independently select and oversee individual recipients
- **Donors, advisors, or related parties.** No payments allowed (expense reimbursement, for example)

* As additional due diligence processes, ER and ED include the engagement of a third-party vendor that charges a fee that is paid through the DAF. Contact your philanthropic advisor for more information if you think your grant might fall into this category.



CAN I USE MY DAF TO...

Limit the purposes for which the grant is used

Yes, you can designate a specific purpose for a grant in the “grant purpose” section of the grant recommendation form, if the designated purpose is allowed by the IRS (e.g., DAF grants cannot be used for lobbying or to support political campaigns).

Fulfill a pledge

DAFs cannot expressly be used to satisfy a legally enforceable pledge/obligation. In some situations, a donor may choose to recommend a grant that aligns with prior intent, but it must not be documented by the DAF sponsor as a pledge payment.

Pay for memberships or other benefits

The IRS prohibits DAF grants that result in more than incidental benefits (directly or indirectly) for the donor, the fund advisor, and/or their family.

Non-exhaustive examples of “more than incidental” benefits:

- Ticket to a charitable event
- Auction items or raffle tickets

Examples of “incidental” benefits:

- Logo or name recognition
- Thank you gifts, the value of which are insubstantial as defined by the IRS. See [IRS Publication 1771](#).

To cover the cost of a membership with your DAF:

- The nonprofit must confirm that 100% of the membership cost is tax deductible, OR
- The donor must waive any benefits that confer “more than incidental” benefits in the grant purpose on the grant recommendation

Make bifurcated donations (where one part is tax-deductible and the other is not)

No. DAF grants cannot be used to pay for donations that include any non-tax-deductible portion. For example, if a ticket or sponsorship includes any non-tax-deductible benefit, the deductible portion cannot be paid through a DAF while the non-tax-deductible portion is paid separately. Instead, many donors choose to purchase the ticket directly and use their DAF to make a separate, fully charitable gift to support the organization’s mission.

Sponsor charitable events

Yes, if the sponsorship is fully tax deductible or the donor waives all benefits that are “more than incidental.” Logo/name recognition is considered incidental. A table at the event is **not** considered incidental.

CAN I USE MY DAF TO... CONTINUED

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| <p>Support a political campaign</p> | <p>No.</p> |
| <p>Receive a Qualified Charitable Distribution (QCD) from my IRA</p> | <p>No. QCDs cannot be made to DAFs. However, QCDs can be donated to other fund types at Seattle Foundation. If you would like to donate all or part of your Required Minimum Distribution through a QCD, learn more here.</p> |
| <p>Grant to an international organization</p> | <p>Yes, but grants will require either expenditure responsibility or equivalency determination, assuming the international organization does not have an IRS determination letter. Reach out to your philanthropic advisor to learn more.</p> |
| <p>Fund a scholarship</p> | <p>In certain circumstances, it is permissible to grant from a DAF to an eligible organization (e.g., a university) that will independently select scholarship recipients without the involvement of the donor. However, grants to individuals are prohibited from DAFs. This includes checks written directly to an individual and checks written to an entity, such as a university, for the benefit of a specified individual. Grants to individuals can be made from funds other than DAFs.</p> |
| <p>Make a grant to another fund at Seattle Foundation</p> | <p>Yes. Includes donations to Area of Interest, Designated, Scholarship, or other DAFs. Because Seattle Foundation is a 501(c)(3) public charity, these types of payments are allowed.</p> |

This documentation was created based upon current IRS requirements and Seattle Foundation's administrative policies. Administrative policies and legislation regarding charitable giving and charitable tax deductions may change at any time. Our team endeavors to keep this resource up to date. For any questions about the particular circumstances of your intended grant, we recommend contacting your philanthropic advisor.