

Granting Guidelines

Schwab Charitable Donor-Advised Fund Account



Schwab Charitable donors may only recommend grants for charitable purposes. The following guidelines will help you determine when you can use your donor-advised fund account to support events and memberships and when to utilize funds from another source.

Incidental Benefits and Special Purpose Designation



Incidental Benefits

Grants must be intended exclusively for charitable purposes. The IRS prohibits donor-advised fund account holders, additional account users and any of their family members from receiving more than incidental benefits associated with a grant.

Examples of Incidental Benefits (Generally OK)

- Coffee mugs
- Key chains
- Calendars
- Posters
- Intangible religious benefits

Examples of Non-incidental Benefits (Not OK)

- School tuition
- Scholarship for a specific individual
- Certain dues or membership fees
- Cost to attend a charitable event
- To satisfy a financial obligation of an individual or entity

Special Purpose Designation for Grants

Grants may be recommended for a “special purpose” use by the recipient charity such as a building fund, research project or in honor of a person. This special purpose should be noted in the grant recommendation.

Membership Guidelines



Grants from donor-advised fund accounts to cover annual membership fees are acceptable if:

1. The membership price is not more than \$75, and
2. The membership benefits are limited to annual recurring rights, such as:
 - free or discounted admission
 - preferred access

Membership fees or dues to houses of worship where the only return benefits are intangible religious benefits under federal tax law may be paid from donor-advised fund accounts.

If any portion of the membership is not 100% tax-deductible, you can either waive the tangible benefits or use other funds to pay the entire membership fee.

Situation

To waive the tangible benefits associated with membership

Guideline

Recommend a grant from a donor-advised fund account with the following special purpose note:
“Donor wishes to waive all return benefits associated with this grant.”

To accept the tangible benefits

Pay for the full amount of the membership using funds outside of a donor-advised fund account.

Multi-Year Agreements



For a grant in an amount greater than \$50,000 to be paid over time to a designated charity, a donor can request that Schwab Charitable enter into a grant agreement with the designated charity. The grant agreement will detail the number of installments and payment dates of the grant.

Grants may not be used for fulfilling legally binding pledges.

Events Guidelines



Charities often break down an event's admission cost into deductible and non-deductible portions. If event admission is fully tax deductible, you can recommend grants from your donor-advised fund account to support and attend the event.

If a portion of event admission is not tax deductible (see Bifurcated Grants below), you can recommend a grant from your donor-advised fund account to support the event in the following ways:

Situation	Guideline
To attend an event (such as a gala) AND make an additional contribution to the event	Recommend a grant from your donor-advised fund account with the following special purpose note: "Donor has paid the full price of the tickets separately and this is an additional donation." Then pay for the full price of admission (the non-deductible AND deductible portions) using funds outside of your donor-advised fund account.
To purchase a table/tickets and donate the table back to the charity (but not attend the event)	Recommend a grant from your donor-advised fund account with the following special purpose note: "Donor will not attend the event and has requested that the table be donated back to the charity."

Bifurcated Grants



A bifurcated grant is when a donor pays for the deductible portion of an event such as a fund-raising gala with funds from his donor-advised fund account and then pays for the non-deductible portion with other funds such as personal check or cash.

Question:

Is it permissible for a donor to recommend a grant for the deductible portion of the purchase of a ticket to a fundraising event if the donor personally pays for the non-deductible portion?

Donor pays for dinner
(non-deductible portion):
\$200

Donor-advised fund grant to the charity (deductible portion):
\$300

Total cost to attend the event:
\$500

Resources

For more information:
IRS Rules on Benefits from Donor-Advised Funds

www.cof.org/content/tangible-benefits-resulting-grants

Response:

No. The IRS has ruled that in the case of a private foundation (which is subject to similar rules as a donor-advised fund account) that an individual receives more than incidental benefit when his private foundation pays the deductible portion and he pays the non-deductible portion of a ticket. The rationale was that the individual was receiving personal benefit because he would not be able to attend the event if the foundation had not paid the deductible portion of the ticket.

The IRS has not stated whether it will take the same position with respect to a donor receiving "more than incidental benefit" from a gift recommended from a donor-advised fund account. Until it does, the standard practice for donor-advised funds is to disallow "bifurcated" grants from donor-advised fund accounts.

To learn more

- Contact your advisor or financial professional.
- Call Donor Relations at 800-746-6216.
- Email your questions to ask@schwabcharitable.org

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. Where specific advice is necessary or appropriate, Schwab Charitable recommends consultation with a qualified tax advisor or CPA.

Schwab Charitable is the name used for the combined programs and services of Schwab Charitable Fund, an independent nonprofit organization. Schwab Charitable Fund has entered into service agreements with certain affiliates of The Charles Schwab Corporation.