

When considering which charities to support with a Schwab Charitable donor-advised fund account, please keep in mind that there are some restrictions that apply. While not exhaustive, the following suggestions may prove helpful as donors decide how to best support the causes that mean the most to them.

Eligible Charities

The charity selected must be eligible to receive a grant from a donor-advised fund. Qualified charities include houses of worship, organizations covered by a valid group exemption, government entities and 501(c)(3) tax-exempt charitable organizations.¹ If the charity is required to file a tax return, it must also be in good standing with the Internal Revenue Service (IRS). Schwab Charitable cannot approve grant recommendations to organizations whose tax-exempt status has been suspended.

Eligible – and Ineligible – Grants

In adhering to IRS regulatory guidance, donor-advised funds may not make grants that:

- Are not 100% tax deductible
- Provide more than an incidental personal benefit to an individual
- Relieve the donor of a financial obligation

Violations of these IRS guidelines can result in substantial tax penalties for donors and can put the tax-exempt status of the donor-advised fund sponsor and the recipient charity at risk. To help avoid such circumstances and to help inform decisions about how to best support charities in accordance with IRS guidance, please review the table below.

Granting Guidelines Consistent with IRS Specifications

Commonly proposed grant purposes	Examples of grants that...	
	can be recommended from a Schwab Charitable account:	cannot be recommended from a Schwab Charitable account:
Pledges and pledge drives	<ul style="list-style-type: none"> • Commitments that are not legally binding financial commitments to the recipient charity • Commitments that were legally binding as to the recipient charity but have been successfully dissolved • Expression of intention by the donor to recommend a grant 	<ul style="list-style-type: none"> • Pre-existing financial commitments that are legally binding
Events	<ul style="list-style-type: none"> • Tickets to or tables at events that the donor is not attending • Support for charitable events that are designated 100% tax-deductible by the recipient charity • Support for charitable events if associated benefits are waived by the donor 	<ul style="list-style-type: none"> • For purchasing tickets to charitable events that the donor plans on attending, even if the donor pays the non-tax-deductible portion separately • Paying for a sponsorship at an event where the donor plans on accepting the associated benefits • Paying for an auction item at an event

Granting Guidelines Consistent with IRS Specifications Continued

Commonly proposed grant purposes	Examples of grants that...	
	can be recommended from a Schwab Charitable account:	cannot be recommended from a Schwab Charitable account:
Memberships	<ul style="list-style-type: none"> Memberships at houses of worship that provide only intangible benefits. Annual Memberships that provide only incidental benefits and are 100% deductible as stated by the recipient charity. 	<ul style="list-style-type: none"> Memberships — other than memberships costing \$75 or less — where the donor has not waived all benefits.
Scholarships	<ul style="list-style-type: none"> Contributions to existing scholarship funds. The establishment of a new scholarship fund at an eligible educational institution or charitable organization (not another donor-advised fund) for which the donor may advise as to the selection criteria and may participate on the selection committee, but may not have a majority or deciding vote on qualified applicants. Distributions can be made from a donor advised fund to support the scholarship program. 	<ul style="list-style-type: none"> Scholarships for which the donor has the majority or deciding vote on qualified applicants. Scholarships for which the donor or a related party of the donor is a recipient.
Individual support	<ul style="list-style-type: none"> Grants to qualified charities sponsoring missionary or religious work. Support for the fundraising efforts of an individual in an athletic event or race. Contribution toward a project or effort led by an individual that does not directly go to paying that individual's salary. 	<ul style="list-style-type: none"> Grants to benefit designated individual(s), including hardship or disaster relief grants. Grants to pay a named person's salary. Support for the fundraising efforts of the donor for which the donor has made a fundraising commitment, such as an athletic event or race, unless the fundraising obligation has been satisfied in full.
Lobbying, political contributions	<ul style="list-style-type: none"> Grants to qualified charities that advocate on issues of public concern that support their charitable purpose. 	<ul style="list-style-type: none"> Grants to support a political campaign on behalf of or in opposition to any candidate for public office. Grants to organizations that conduct activities that are in direct support of or opposition to a specific piece of introduced legislation.

Learn more about grant recommendations

- Contact your advisor or Schwab Charitable at 800-746-6216
- Email your questions to ask@schwabcharitable.org

¹ Charity recipients cannot be classified as private foundations under IRC Section 509(a). Additionally, some charities classified as "supporting organizations" under Section 509(a)(3) do not qualify. "501(c)(3)" refers to Internal Revenue Code (IRC) Section 501(c)(3).

² An incidental benefit is typically anything valued at less than \$100.

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.

A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation. Consult your tax advisor for more information.

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