

March 21, 2014

Senator Charles Grassley
135 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Grassley:

As presidents of community foundations in Iowa, we are writing to you with an urgent request regarding the IRA Charitable Rollover. With your help, it could finally be fixed this year.

During consideration of the Pension Protection Act (PPA) of 2006, you and your staff had concerns about isolated abuses in donor advised funds (DAFs), and you authored a number of DAF reforms that were approved as part of PPA with bipartisan support. For example, under PPA, a donor cannot use a DAF to direct gifts to individuals, private foundations, or non-charitable purposes. A donor cannot recommend a gift that provides more than an incidental benefit to the donor-advisor, and DAF administrators must generally dispose of any closely-held business interests within five years.

PPA further required the Treasury Department to do a study on DAFs. Their 2011 study found that PPA provided a structure to address abusive practices without creating new opportunities for abuse. Treasury further concluded that the contribution deduction rules faced by donors to DAFs should be the same as those for other public charities. **Your reforms have been a success, and they allowed donor advised funds to flourish in Iowa and elsewhere.**

The IRA Charitable Rollover was also started in PPA, but since the above reforms had not yet taken effect, the rollover language said a taxpayer could not use the rollover for a gift to a DAF or a supporting organization. However, a donor could use the IRA Charitable Rollover to give to a university endowment, or to the endowment of a local hospital or art museum – but they can't build community endowment by contributing to a DAF at the local community foundation.

This exclusion hurts Iowa's community foundations, which are the local hubs for philanthropy in communities across the state. Every community foundation can give examples of how they lose donations every year because a potential donor, upon learning that they cannot use the rollover to open or add to a DAF, decides to seek another local charity for their gift – or doesn't give at all. Because current DAF payout rates are generally substantial, the current prohibition doesn't promote giving – it actually restricts donor flexibility by codifying a preference of one type of charity over another. **It places the 15 host community foundations serving all 99 Iowa counties at a disadvantage.**

Our experience has been that Iowa's rural donors are accustomed to supporting more than one signature community cause, so the DAF has been a vehicle for donors to direct support to museums, food pantries, hospitals, and schools at critical times of need. Donors appreciate the flexibility which the DAF provides.

Senator, given that your reforms have been a success, our request is that you voice support for eliminating the DAF exclusion in the IRA Charitable Rollover when the issue comes up during consideration of the extenders package. We believe there are number of Senators on both sides of the aisle who would be willing to fix this provision, but they know that you are the author of the original exclusion and want to make sure you are open to the change.

Fixing this provision when the IRA Charitable Rollover is extended in the Finance Committee would have a positive impact in communities all across Iowa. It is one of the top policy priorities for the roughly 750 community foundations in the country. Removing the prohibition will help promote community philanthropy at a time when the charitable sector is being asked to do more.

We understand your concerns about abuses in the past, but your reforms have fixed the abuses and now this tool is a vital one – both for average people who want to make lasting commitments to their communities, as well as those with more financial flexibility who are looking for an alternative to a private foundation. This simple, small change would do wonders to help us, and we hope you will consider it and voice your support to your colleagues on the Committee.

We are also supportive of the provisions included in S. 1772, the Public Good IRA Rollover Act of 2013, introduced by Senators Schumer and Collins on November 21, 2013. The bill would allow individuals to take advantage of the IRA Charitable Rollover beginning at age 59½ instead of 70½ and remove the \$100,000 annual cap, in addition to removing the exclusion on donor advised funds. We understand that the rest of these provisions are not on the table during extenders, but we hope you would be supportive of them when they come up.

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

Sincerely,

Nancy Van Milligen
Community Foundation of Greater Dubuque

Kristi Knous
Community Foundation of Greater Des Moines

Kaye M. Englin
Community Foundation of Northeast Iowa

Rebecca Krohn
Siouxland Community Foundation

Randy Kuhlman
Fort Dodge Community Foundation and United Way

Susan Skora
Community Foundation of the Great River Bend

Les Garner
Greater Cedar Rapids Community Foundation

Dennis N. Nissen
Iowa Foundations Director | Community Foundations of Southwest Iowa | Omaha Community Foundation

Mike Stoffregen
Community Foundation of Johnson County

Diane Bear
South Central Iowa Community Foundation

Judi Holdorf
Community Foundation of Greater Muscatine