



*Here for Oregon. Here for Good.*

March 20, 2014

The Honorable Senator Ron Wyden  
U.S. Senate  
221 Dirksen Senate Office Bldg.  
Washington, DC 20510

Dear Senator Wyden:

We are writing as the current and past board chairs of The Oregon Community Foundation. We appreciate your strong defense of the federal charitable deduction. We also appreciate how you have acknowledged the value of philanthropy in meeting a range of community needs that government cannot meet.

As you are aware, Sue Miller, OCF's Board Chair and Max Williams, OCF's President and CEO, recently spoke with your staff about the issue of the current IRA rollover prohibition for Donor Advised Funds. We are requesting your help in revising this prohibition, as it is an anachronism that can be easily corrected in the extender process. Correcting this provision gives Oregonians a positive incentive to make charitable contributions that improve the quality of life in Oregon, without any appreciable impact on tax revenues.

You are probably well aware of the history, but to recap briefly: during consideration of the Pension Protection Act (PPA) of 2006, Senator Grassley's staff had concerns about isolated abuses in the donor-advised fund (DAF) field. Thus the PPA included a number of reforms to DAFs. Eight years later, it's clear that the reforms sought in the PPA have been a success, and abuses are seldom reported. A donor cannot use a donor advised fund to direct gifts to individuals, private foundations, or non-charitable purposes, nor can a donor recommend a gift that provides more than an incidental benefit to the donor-advisor. DAF administrators must generally dispose of any closely-held business interests within five years.

A 2011 U.S. Treasury study mandated by the PPA found that the law provides a structure to address abusive practices without creating new opportunities for abuse. The study also confirmed that average DAF payouts are nearly twice what is required of private foundations (even higher at many community foundations). Treasury also concluded that the contribution deduction rules faced by donors to DAFs should be the same as those for other public charities.

The IRA Charitable Rollover was also started in the PPA. Because the above reforms had not yet taken effect, the original rollover language said it could not be used for gifts to a DAF or a supporting organization. Thus a donor can use the IRA rollover give to a university endowment, or to the endowment of a local hospital or art museum, but not to a donor advised fund at the local community foundation. **This exclusion hurts community foundations (CFs), including OCF, as the local hubs for philanthropy in communities across the country.** Community foundations not only democratize philanthropy by giving local residents a way to give back to their communities; but they also provide countless services to the nonprofit sector in every state and nearly every Congressional district.

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 a DAF, decides to seek another local charity for their gift – or in some cases doesn't give at all. Because current DAF payout rates are generally substantial, the current rule doesn't promote giving – it merely restricts donor

flexibility by codifying a preference of one type of charity over another. It also means that in some cases the dollars don't end up going to charity at all.

We assume the reason why the prohibition has not been fixed is twofold: (1) the IRA rollover is an "extender," so usually only date changes are considered, not policy changes; (2) since community foundations have not approached the issue or communicated with their federal delegations as a field, no one has been asking to fix it.

This year, for the first time, OCF and our peer community foundations are educating Congress about the real-life effects of the provision. We are hoping that since fixing the rule would help every community foundation in the country, in every Congressional district – and since it shouldn't cost much money to fix – Congress will take action.

The best opportunity to fix the disparity is to include repeal of the DAF prohibition when the IRA Charitable Rollover is extended. This would have a positive impact in communities all across the country. It is the number one request of the community foundations (other than maintaining the charitable deduction in general) across the country. Removing the prohibition during the extenders bill process will help promote community philanthropy at a time the charitable sector is being asked to do more.

We deeply appreciate that you're handling a complex set of issues in your new role as Chair of the Finance Committee. This issue, however, is simple and timely. Please consider taking a step on behalf of greater community philanthropy in Oregon and across the country by removing the IRA rollover prohibition for donor advised funds.

With warm wishes and thanks—

Sincerely,



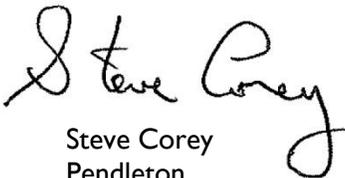
Sue Miller  
Salem  
Chair



Eric E. Parsons  
Portland  
Past Chair



Mary Wilcox  
Portland  
Past Chair



Steve Corey  
Pendleton  
Past Chair



Bill Thorndike  
Medford  
Past Chair



Eric Lindauer  
Portland  
Past Chair