Can I Use My DAF for That?
Virtual Events Edition

By Gil Nusbaum, General Counsel

Donor-advised funds saw tremendous growth and use over the past year, especially in the initial months of the COVID-19 pandemic. Charitable dollars flowed to organizations protecting frontline workers, developing vaccines and providing PPE to healthcare professionals.

Donors also gave generously to nonprofits outside of health, safety and human services with DAFs. Organizations like museums, colleges and universities, houses of worship, environmental groups and others all saw increased philanthropic dollars from DAFs in the first half of 2020. It's safe to assume some of this money went to transitioning their programming, offerings and events to virtual and remote settings.

With the increase in virtual programming, some donors are inquiring about using their DAF to support virtual events. The majority of recommended grants to qualifying nonprofits are approved by the DAF sponsor. However, some grants require additional review to be approved. We examined some DAF grantmaking scenarios in two previous blog posts, but below are a few common grant-related questions for virtual events.

Can I use my DAF to sponsor a virtual event?
Yes—but just because the event is not taking place in a physical location does not mean that the donation is automatically fully tax-deductible. The same rules apply as for an in-person event. Virtual event support is not permitted when tickets or sponsorship packages come with benefits that have fair-market value, which could include physical prizes or gifts such as dinners, raffles or auctions.

If I use my DAF to sponsor a virtual event, can I attend?
Virtual events may still require the purchase of tickets. If there is a cost for a ticket, the donation is not fully tax-deductible, and you must decline the benefit in order to make the gift using your DAF. However, if there is no ticket cost to attend the event, then your donation does not result in the benefit of admission, so you may attend as part of your sponsorship donation.

Can I use my DAF to make a gift at the event?
Some virtual fundraisers or events encourage participants to donate to support the organization's work during the event, using paddle-raises or other direct solicitation efforts. You can use your DAF to make such a gift. However, while a DAF can be used to fulfill a pledge, in accordance with IRS guidance, the grant purpose, check letter and check memo can make no reference to the pledge. As a DAF donor, you may reference how the gift was solicited in a grant recommendation; however, your gift cannot be referred to as a pledge.
Can I accept a gift sent to my house for a virtual event I sponsored?
No. Though receiving a thank-you gift can add to the feeling that participants are part of a communal experience, according to federal tax rules, gifts sent to a donor’s home are still considered an impermissible benefit to the donor and/or the donor’s family if they have more than a nominal value. Donors must decline all such gifts connected to donations made through their DAF.

Can I use my DAF to make bifurcated donations (gifts for which one part is tax-deductible and the other is not)?
No. DAF grants are prohibited from conferring any benefits that are “more than incidental” to the donor, donor advisor or anyone related to either of them. The IRS has issued guidance indicating its opinion that DAF grants that enable attendance or participation in a charity-sponsored event are considered to provide a more than incidental benefit, even if the donor/advisor pays for the non-deductible portion of the ticket out of pocket—which would result in the assessment of a penalty excise tax on any donor/advisor who recommended the grant or who received the benefit. The same logic and penalty apply to membership fees that have deductible and non-deductible portions.

More DAF Tips
• When recommending grants in NPT GivingPoint, look for the Grant Purpose dropdown menu and select the option to decline benefits. This will save time for NPT, you and the organization you are supporting, as no additional outreach will be required to confirm that the gift will incur no benefits to you.

• As with all grants, prior to approval, NPT must confirm that the grantee is a valid 501(c)(3) and confirm all the grant details, including the charity's legal name, EIN, mailing address, and other information. NPT requires additional due diligence for charities that were established within the last five years.

• For more info on using your DAF, check out our Tips for Managing Your Charitable Giving. You can also view other frequently asked questions about NPT and our DAFs.

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