

Assembly Bill 1712
Donor-Advised Fund (DAFs)
Assemblymember Buffy Wicks (AD-15)

THIS BILL

This bill would increase transparency and accountability for Donor-Advised Funds (DAFs).

THE ISSUE

A DAF is a philanthropic giving vehicle administered by a charitable sponsor. A DAF allows a donor to establish and fund the account by making irrevocable, tax-deductible contributions to the charitable sponsor. Donors then recommend grants from those funds to other charitable organizations that provide direct public benefits through community services, programs, or advocacy.

Nationally, roughly \$110 billion in donated charitable assets are held in unregulated donor-advised fund (DAF) accounts. Although many donors to DAF accounts have claimed charitable tax deductions -- which reduce federal and state tax revenues -- a substantial portion of these donated assets sit in DAF accounts indefinitely, growing tax-free and generating revenue for DAF account managers, or "DAF Sponsors", without providing any public charitable benefits.

DAF sponsoring organizations are not required to report on individual accounts they manage nor are they obligated to disburse funds from DAF accounts. Generally, disbursements are based on advice and direction from donors, which is why these accounts are called *donor-advised* funds.

The use of DAF accounts is growing rapidly. In 2017, an estimated 463,622 individual DAF accounts held more than \$110 billion in assets and received more than 10% of all individual charitable contributions. DAF sponsoring organizations affiliated with large Wall Street financial firms are now among the largest recipients of all charitable giving.

SOLUTION

AB 1712 would amend Section 12586 of the Government Code to require the Attorney General (AG) to adopt rules and regulations that require DAF Sponsors to disclose information about the individual funds or accounts they maintain to help the AG ascertain whether those funds are being properly administered, including, but not limited to any of the following:

- A) Whether the DAF Sponsor has a publicly available policy that governs DAFs that are inactive, dormant, or do not make distributions during a specified period of time that does not exceed 36 months.
- B) A description of the DAF Sponsor's policy for responding to funds that are dormant or not make a distribution in a specific time period that does not exceed 36 months, including the manner in which the charitable corporation monitors and enforces compliance, or a statement that no such policy is in effect.
- C) For the most recently completed accounting period, the value of assets invested by the DAF Sponsor organization that were invested in mutual funds, exchange traded funds, or other investment vehicles or entities controlled by, controlling, or under common control with an entity that provides administrative or investment services to the DAF Sponsor.

SUPPORT

CalNonprofits (Sponsor)
Kat Taylor, Impact Investor and Donor Advised Fund Holder (Sponsor)
NextGen California (Sponsor)
Inland Empire Community Collaborative
Resource Generation
Silicon Valley Council of Nonprofits
The Women's Foundation of California

TURN – The Utility Reform Network
United Ways of California
Volunteer Center

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