Accelerating Charitable Efforts (ACE) Act

Senators Angus King (I-ME) and Chuck Grassley (R-IA)

General Summary

A. Donor-Advised Funds

The ACE Act seeks to reform the current DAF rules by creating two new types of DAFs:

1. **15-year DAF** ("Qualifying DAF")

   - The bill would create a new form of DAF under which a donor would get the charitable tax deduction at the time of the contribution (as under current law) only if ***all DAF funds are distributed within 15 years of the donation.***
   - The deduction for contributed ***non-publicly traded assets*** – complex assets such as closely-held or restricted stock – would be the amount of cash made available in DAF accounts as a result of the ***sale of the asset*** (instead of the appraised value as currently provided under tax law).
   - A deduction is not allowed unless the DAF sponsor provides a ***written statement within 30 days*** of the qualifying distribution or the sale of the property (which would also be reported to the IRS), adding administrative complexity and cost.

2. **50-Year DAF** ("Nonqualifying DAF")

   - Donors who want more than 15 years to distribute their DAF funds will be allowed to elect an "aligned benefit rule." Under this rule, a donor would only ***receive a deduction once the donated funds are distributed to the charitable recipient.*** All funds would be required to be distributed outright to charities no later than 50 years after their donation.
   - In addition, in the case of any contribution of property "other than cash" to a nonqualifying DAF (including, apparently, any stock or securities), ***no deduction is available until the DAF sells the property.***
   - A deduction is not allowed unless the DAF sponsor provides a ***written statement within 30 days*** of the qualifying distribution or the sale of the property (which would also be reported to the IRS).

Exemption for Community Foundations. Donors with DAF ***accounts up to $1 million*** at a community foundation are exempt from the legislation's payout rules. For amounts over $1 million, a donor can receive a charitable deduction (as under current law) if the DAF requires a ***5 percent annual payout.***

Penalty. A ***50 percent tax*** is imposed on DAFs (other than qualifying community foundations) that fail to make a distribution of contributed funds adhering to the above requirements.

B. Private Foundations

The legislation also includes these provisions that apply to private foundations:

- **Distributions from private foundations to DAFs will not count as a qualifying distribution** (for purposes of meeting the current private foundation 5 percent annual payout requirement).
- ***Administrative expenses*** (such as salary and travel expenses) paid to family members will not be treated as a qualifying distribution.
- A foundation will be exempt from tax on investment income for a tax year if the foundation makes significant (***7 percent of total assets***) qualifying distributions.
- A foundation will be exempt from tax on investment income for a tax year if the foundation is established to last ***no more than 25 years*** and makes only qualifying distributions during its life.