

Senate taxwriters back tighter rules for donor advised funds, syndicated conservation easements

Members of the Senate Finance Committee urged passage of bipartisan proposals to tighten rules related to donor advised funds and certain syndicated conservation easements during a March 17 hearing to examine charitable giving and trends in the nonprofit sector.

Donor advised funds

Finance Committee member Charles Grassley, R-Iowa, who noted that private foundations currently hold more than \$1 trillion in assets and donor advised funds hold some \$160 billion, touted the Accelerating Charitable Efforts Act (S. 1981), a bill he introduced with Sen. Angus King, I-Maine, that “is focused on ensuring that tax-deductible contributions to a foundation or a donor advised fund reach their ultimate charitable destination within a reasonable period of time.” An identical companion measure (H.R. 6595) has been introduced in the House by Rep. Chellie Pingree, D-Maine, and includes Ways and Means Committee member Tom Reed, R-N.Y., as an original co-sponsor.

Responding to a question from Grassley about the merits of the proposal, one of the witnesses at the hearing, Susannah Morgan of the Oregon Food Bank, commented that “[w]hen I hear of wealthy folks tucking money away in hopes that they will make the future better, my response is ‘Make the future better right now for my neighbors who are struggling to put food on the table.’”

In a subsequent exchange on the issue with Democratic taxwriter Sheldon Whitehouse of Rhode Island, Morgan said that charities generally agree on the need to reform the donor advised fund rules, although she cautioned that any changes should be crafted “carefully” to avoid unintended consequences.

Syndicated conservation easements

Taxwriter Steve Daines, R-Mont., called on Congress to pass the Charitable Conservation Easement Program Integrity Act (S. 2256), a bill he introduced with Finance Committee member Debbie Stabenow, D-Mich., that is intended to curb certain fraudulent arrangements by limiting the tax deduction for qualified conservation contributions made by certain passthrough entities if the amount of the contribution is more than 2.5 times the sum of each owner’s relevant basis in the passthrough entity. House Ways and Means Select Revenue Measures Subcommittee Chairman Mike Thompson, D-Calif., has introduced an identical companion bill (H.R. 4164) in that chamber.

“I am very much pro-conservation easements,” Daines told his colleagues at the hearing. “It’s the abuse of these syndicates that’s the issue.”

Finance Committee Chairman Ron Wyden, D-Ore., expressed his support for the legislation, telling Daines, “we’re on this battle until we get this done.”

Other tax issues

Witnesses at the hearing, who represented the nonprofit sector, also told the panel that Congress can promote charitable giving by reviving the now-expired charitable deduction for nonitemizers and expanding incentives that allow certain senior citizens to make tax-preferred charitable contributions directly from their retirement accounts.

The witnesses also generally agreed that Congress can provide direct support to smaller nonprofits by reinstating the employee retention tax credit.

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