



Guidance on Using Donor Advised Funds and IRA Distributions for Event Sponsorships and Fundraising Activities

This document is intended to provide introductory information in response to questions regarding the use of **Donor Advised Funds (DAFs)** and **Qualified Charitable Distributions (QCDs) from Individual Retirement Accounts (IRAs)** to support nonprofit fundraising events and sponsorships. It is not intended to serve as legal or tax advice. Nonprofits, donors, and their advisors are strongly encouraged to consult with their legal and tax professionals to ensure compliance with the latest IRS regulations.

Can Donor Advised Funds (DAFs) Be Used to Support Fundraising Events?

Yes, grants from DAFs can support fundraising events, **but only if the donor declines all associated benefits**, including tickets, meals, or gifts.

Bifurcated Grants Are Not Permissible

A **bifurcated grant** occurs when a donor attempts to split a sponsorship or event cost into two parts:

1. The charitable portion (paid through a DAF), and
2. The non-charitable benefit portion (paid from personal funds).

This practice is **not permitted**. The IRS has clearly stated that bifurcation violates DAF rules. Any attempt to split the benefit in this way may trigger **excise taxes** under IRC Section 4967 for providing more than an incidental benefit to a donor or related party.

Why Does the IRS Prohibit This?

The IRS prohibits DAF grants from conferring any **more than incidental benefit** to the donor or any individual, regardless of whether they are the donor advisor. Event tickets, meals, and similar perks are considered **more than incidental** and are therefore disallowed if a DAF grant is used to pay for sponsorship.

What About Qualified Charitable Distributions (QCDs) from IRAs?

A **Qualified Charitable Distribution (QCD)** allows individuals age 70½ or older to donate up to **\$100,000 per year** directly from their IRA to a qualified charity. These distributions can count toward satisfying required minimum distributions (RMDs) and are excluded from taxable income.

However, like DAFs, **QCDs cannot be used for contributions that provide any direct benefit to the donor**, including:

- Event tickets
- Meals
- Auction items
- Anything that would typically not be 100% tax-deductible

If a donor receives any benefit in exchange for the QCD, the amount **does not qualify** and could result in a taxable distribution.

Acceptable Ways to Use DAFs or QCDs for Sponsorships

If the Donor Declines All Benefits:

A DAF or IRA QCD may be used to support a fundraising event **only if** the donor **explicitly declines all benefits** associated with the gift *before* the grant or distribution is made.

- **Example 1:** A donor recommends a \$5,000 DAF grant for a gala sponsorship that includes a table for 10 and dinner. The donor may proceed with the grant if they formally state they will **not attend, not give the tickets to others**, and will **not accept any benefits** in return.
- **Example 2:** A donor wishes to sponsor the event using a \$5,000 DAF or IRA QCD and still attend. They may recommend the grant or distribution **only if they decline all benefits** and then **purchase tickets separately** using personal or business funds. These tickets must be available to the public at the same rate to avoid the appearance of subsidizing personal benefits with a charitable contribution.

Recognition of the Gift:

Recognition of the DAF or IRA donor (such as listing in an event program or signage) is **permitted**, as long as no more than incidental benefit is received in return.

What Is Still Allowed from a Personal or Business Account?

Donors who wish to receive the full event experience—meals, entertainment, tables, or gifts—may do so by paying the full amount using **personal or business funds**. This includes:

- Purchasing tickets
- Buying tables
- Securing sponsorships that include benefits

Standard charitable deduction rules apply in these cases, and the fair market value of any benefits received must be deducted from the gift amount when calculating the tax-deductible portion.

Resources for Further Guidance

To learn more about the rules governing charitable contributions and event sponsorships, refer to:

- **IRS Publications:** 526 (Charitable Contributions), 561 (Valuation of Donated Property), 1771 (Acknowledgment of Charitable Contributions), 4302 & 4303
 - **IRS Notice 2017-73** (Donor Advised Fund Guidelines)
 - Consult your financial advisor or tax attorney
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If you have further questions about making a gift using your Donor Advised Fund or IRA, please contact our team. We are happy to work with you and your advisors to ensure your giving aligns with current IRS regulations.