Frequently Asked Questions about Donor-Advised Funds (DAFs)

Below are some frequently asked questions about establishing a DAF at United Charitable. Please feel free to contact us if you do not see a response to your question or give us a call at (571) 620-3000.

1. What will I need for my tax records?

Each time you contribute $250 or more to your DAF you will receive an annual letter confirming your donation. If your donation is less than $250, you may use your cancelled check or bank statement as proof of your donation. Although we ask organizations that receive grants from your DAF to acknowledge your gift, it is not a tax receipt. You will receive your tax deduction from United Charitable at the time you contribute to your DAF – not when you recommend grants from the DAF to beneficiary charities.

2. What does it mean to "recommend" grants?

The IRS requires that your charitable contribution to your DAF at United Charitable must be irrevocable and unconditional for you to receive the associated tax benefits. Any assets contributed to the DAF belong, irrevocably, to United Charitable and you have relinquished all rights, title, and interest in them. However, your role as Donor Advisor to those funds does allow you to recommend how the funds are invested and distributed.

3. Are there any limitations on the number of grants I can make from my DAF?

You may recommend any number of grants from your DAF during the year. The minimum for each grant recommendation is $100 and you must have enough funds in your account to honor the recommendation at the time it is submitted. If you choose to recommend grants using the DAF Grant Recommendation Form, then you must submit a separate form for each grant that you are recommending.

United Charitable will contact you if your recommendation does not meet the minimum amount, if there are insufficient funds in your account, or if United Charitable has any other questions or concerns regarding your recommendation. Please note that we ask you to allow 7-10 business days to process eligible requests. (More time may be required if we must liquidate non-cash assets such as investments to fulfill the grant recommendation.)

4. Who can receive a grant from my DAF at United Charitable?

You may recommend grants to any qualified 501(c)(3) tax-exempt organization, or qualified religious institution, in good standing with the IRS. Distributions can also be made to pre-approved international charities and qualified domestic organizations that have applied for, but have not yet received their tax-exempt ruling, that meet due diligence requirements, and are approved by United Charitable for distributions on an agreement and reporting basis.

Through an approved DAF scholarship program, grant awards may be made directly to the college or university where the recipient attends.

5. Do you have a list of approved charities to which I can recommend grants?

Yes, through the DonorView portal, United Charitable provides a search engine of pre-populated approved organizations. Additionally, you can recommend that grants be made to any IRS-approved public charity. Approved organizations are U.S.-based organizations that qualify as tax-exempt under Section 501(c)(3) of the Internal Revenue Code and are public charities as defined by Section 509(a) of the code. You can research IRS-approved charities online from GuideStar®, a database of more than one million IRS-registered 501(c)(3) non-profit organizations or use IRS Publication 78 on the IRS website at www.irs.gov. Note: All grant recommendations are subject to approval by United Charitable.

6. Will the grant check have my name on it?

Grants given through your DAF will have your Donor Advised Fund account name stated on the check. If you wish to have your personal name stated, you may add it to the check memo line. If you choose to make the gift anonymously, your account name will not be printed on the check or the accompanying letter.

7. How do I access my account online?

You can login to your DAF account online by going to our website at www.unitedcharitable.org and selecting "Login." If you do not have your password, or if you have forgotten your password, please call us at (571) 620-3000.

8. Do all funds become the property of United Charitable?

Yes. There must be a "completed gift" to the charity to obtain any tax deduction. This means that all rights, title, and interest in the donated property must pass to the charity. Therefore, United Charitable is in control of all donated funds.

9. Are gifts of services tax deductible?

The IRS rules on this are clear; the answer is "no." For example, if a surgeon who charges $5,000 for a heart valve replacement procedure donates his time to provide such procedures for needy patients without health insurance, he or she is not allowed any charitable deduction for the value of his time, even if there is an established "market" to substantiate value. This same rule applies to the time spent by an artist in providing services to or for a charity, or a hotel that donates a room for the night.

An artist is limited to deduction of the actual cost of the materials used to create a work of art, but only if the artist has not "expensed" (or "deducted") the cost of such materials. Most professional artists deduct as "overhead" the cost of raw materials, paint, supplies, etc. These are deducted under Code section 162 which allows a deduction for "ordinary and usual business expenses." There is no benefit to the artist in taking a Code section 170 charitable deduction if a Code section 162 business deduction is available. You should always check with your tax preparer for tax advice.

IRS Publication 526 provides a useful chart which summarizes what is and what is not tax deductible.

10. Can I open a local checking or bank account for my DAF?

No, you are not able to open a local checking or back account of any kind. Local checking and bank accounts bearing the name of a DAF at United Charitable are not permitted. Please only use the Donation Deposit Form to send in donations to your DAF at United Charitable. Please send the contribution along with the completed form to our lockbox at: United Charitable, P.O. Box 75969, Baltimore, MD 21275-5969.

Do not have donors send their donations directly to us at United Charitable. Checks may be made payable to United Charitable with the name of the DAF in the Memo line. Checks may also be made payable to "United Charitable (DAF Name)." Do not endorse these checks.

11. What types of payments are not eligible for distribution from my DAF?

United Charitable cannot honor the following recommendations from your DAF:

Pledges - United Charitable cannot honor pledges that you have made to an organization. This is a personal obligation and cannot be honored through your DAF at United Charitable. United Charitable can, however, honor solicitation requests.

Tuition - No form of tuition, or the enrollment fees for extracurricular activities, can be paid from your DAF. If a distribution to a school is submitted without a specific designation, United Charitable will confirm with the school, in writing, that the funds received will not be applied toward the tuition of any individual. The only exception to this rule is through an approved DAF scholarship program.

Gift Intended for the Benefit of One Named Individual - United Charitable cannot honor recommendations for gifts that will benefit one named individual. For example, "Please apply this gift towards the tuition of John Smith."

Gifts can be designated for funds being raised by an individual for an event, or a missionary's name. For example, "This gift is designated for Jane Smith's participation in the Race for a Cure."

If you are not sure if a gift qualifies for distribution from your DAF, please contact our office for clarification.

12. How will I know my grant recommendation has been completed?

You can check the status of the grant by logging in to your DAF account online. The online portal will even let you know when the check has been presented for payment by the organization.

13. Can my financial advisor be involved in investing the funds in the DAF?

Yes. You can recommend that we work with your financial advisor to determine how the assets in the DAF will be invested, and invest in a broad range of securities, including individual stocks, bonds, and mutual funds. United Charitable must first approve the financial advisor that you are recommending.

14. Can I name my DAF as beneficiary of my charitable remainder trust (CRT)?

Yes. As a public charity, United Charitable can be named as a CRT remainderman.

15. Can my children succeed me as advisor of my DAF?

Yes, you can name anyone you want as the Successor Advisor. Simply name your Successor Advisor on the Successor or Beneficiary Information Form. You may also choose that the DAF is divided among several of your heirs so that each may further their own philanthropic interests, no matter where they are located throughout the country. This flexibility allows you to create a legacy.

Alternatively, you may designate a specified charity as the beneficiary of the funds in the DAF. The funds will be distributed to the charity according to the instructions on the Successor or Beneficiary Information Form.

16. How do I determine the fair market value of my contribution?

Fair Market Value (for purposes of the charitable contribution deduction) is determined on the date that contributions are received by the DAF. In the case of contributions of stock, Fair Market Value is the average of the high and the low for the day that the assets were received by the DAF. In the case of contributions of mutual funds, Fair Market Value is the closing price on the date of receipt. Securities are typically liquidated the following business day after receipt, so the Fair Market Value for tax purposes may be different from the amount of sales proceeds credits to your Donor-Advised Fund. The donor is responsible for assigning the Fair Market Value of the donated item; United Charitable will acknowledge receipt of the donated item for tax purposes.

17. How long will it take for my contribution to appear in my DAF account?

Typically, your account is open and funded within 3-5 business days from the receipt of your contribution. On some occasions (particularly if assets are being transferred from one financial institution to another), the process can take from two to six weeks. If the assets are coming from another financial institution and you are concerned about timing, we recommend you contact your broker and encourage the firm to expedite the transfer.

18. Will I receive any income?

No. If your DAF funds are invested, account earnings accrue within your DAF account (less our quarterly investment management fee), thereby increasing the amount that you can recommend for grants to public charities. The earnings in the DAF do not increase any tax deduction you can claim for contributing to the account, since you receive your deduction at the time of contribution.

19. Do I have to file any Federal or State tax forms, or registration forms, etc., for the DAF?

No. When you have a DAF at United Charitable, we do all the paperwork. We file the IRS Form 990. (The IRS Form 990 is an annual reporting return that federally tax-exempt organizations must file with the IRS. It provides information on the organization's mission, programs, and finances.) Of course, you are responsible for filing your own personal income tax paperwork, but United Charitable will provide you with the required gift receipts annually.

20. Why does United Charitable exert full discretion and control over each DAF that it sponsors?

United Charitable is the entity that is legally responsible for all funds received on behalf of a sponsored DAF. We must ensure that the DAF uses the funds for charitable purposes. This is accomplished through internal procedures regarding disbursements and grants, and a sponsorship agreement between United Charitable and the Donor Advisor that details the specifics of the relationship. When a donor contributes to United Charitable with a recommendation that this contribution be applied to the DAF, United Charitable monitors that all donations are properly used and accounted for. We also ensure that all tax-reporting requirements are met.