



April 6, 2007

Internal Revenue Service
P.O. Box 7604
Ben Franklin Station
Washington, D.C. 20044
Attn: CC:PA:LPD:PR
Room 5203

Re: Announcement 2007-21 Study on Donor Advised Funds and Supporting Organizations

Dear Sir/Madam:

Grantmakers Without Borders submits these comments in response to Announcement 2007-21. Pursuant to the Pension Protection Act, the IRS is conducting a study on the operation and organization of donor advised funds and supporting organizations. These comments are in connection with this study and specifically address the importance of donor advised funds to international grantmaking.

Background

Grantmakers Without Borders (“Gw/oB”) is a philanthropic network dedicated to increasing funding for international social change and environmental sustainability and to improving the practice of international grantmaking. Gw/oB’s membership, currently numbering over 300 individuals from more than 130 grantmaking entities, includes private foundations, grantmaking public charities, individual donors with a significant commitment to philanthropy, and philanthropic support organizations. Gw/oB’s members have made many life-saving grants over the years, from support to children affected by HIV/AIDS, to reforestation projects in Brazil, to relief for victims of natural disasters.

Comments

Individuals and organizations that give internationally rely on a multitude of channels for charitable giving. Often, the advantages of donor advised funds make them an attractive choice for international grantmaking and giving. Although Gw/oB understands and respects the underlying reasons behind recent legislative changes to the operation and organization of donor advised funds, we urge that these advantages be preserved.

International Grantmaking: The Advantages of Donor Advised Funds to Grantmaking Organizations

International grantmaking, for a variety of reasons, is more complex than domestic grantmaking. Consequently, many organizations that wish to make lawful and effective international grants do not have the capacity or expertise to do so. Donor advised funds provide a mechanism whereby organizations that lack this necessary capacity and expertise may give internationally, while relying on a qualified sponsoring organization to provide the answers to important international grantmaking challenges.

Federal tax law requires organizations that give international grants to practice 501(c)(3) equivalency determination, expenditure responsibility, or a degree of due diligence that guarantees the funds are used for a charitable purpose. Organizations that make few international grants, have a small staff, or are new to international grantmaking, often turn to donor advised fund to manage the legal obligations inherent to international grants. In addition, the world of international grantmaking is incredibly diverse. Literally, a world of funding opportunities are possible. Donor advised funds provide a means whereby organizations new to international grantmaking can learn more about this diverse world, thus acquiring the expertise necessary to make effective international grants.

Donor advised funds often act as a valuable learning tool for grantmaking organizations. By contributing a donor advised fund to a qualified sponsoring organization, the grantmaking organization is able to see what capacity and expertise is needed so that it can eventually make its own international grants.

International Giving: The Advantages of Donor Advised Funds to Individual Donors

Critics of donor advised funds argue that contributions should be ineligible as charitable deductions. They reason that the retention of advisory privileges declassifies contributions as completed gifts. If accepted, this argument will undermine a core advantage to donor advised funds in the context of international giving.

Most charitable contributions are given for altruistic reasons, but the promise of a charitable deduction is often an underlying incentive for many individual donors. Since federal tax law disqualifies most overseas contributions by individuals as charitable deductions, donor advised funds are a valuable alternative that provides the benefits and incentives of a charitable deduction while preserving the possibility that a donor's funds will support a foreign organization. Of course sponsoring organizations must protect against donors that abuse their advisory privileges. However, preventing donor abuse by making contributions ineligible as charitable deductions throws the baby out with the bath water and will in the long run, stem the flow of US charitable dollars to Haiti, Afghanistan, and elsewhere in the Third World where charitable resources are so desperately needed.

Conclusion

Donor advised funds play an incredibly valuable role in international grantmaking and giving. Organizations that lack the capacity or expertise to make international grants can use a donor advised fund to comply with the legal obligations and make effective international grants. For individual donors, donor advised funds present an international giving opportunity that includes

a charitable deduction. Certainly, some donors have improperly asserted too much control over donor advised funds, abusing their advisory privileges. While additional regulations may be necessary and past abuses must be remedied, Grantmakers Without Borders strongly urges the Internal Revenue Service to preserve the advantages inherent in donor advised funds. We urge the IRS to not take any steps that will unnecessarily block the stream of US philanthropic dollars to the developing world.

Sincerely,

A handwritten signature in black ink, appearing to be 'JH', written in a cursive style.

John Harvey
Executive Director
Grantmakers Without Borders
john@gwob.net