



Policy for Events

Donor-Advised Funds (DAFs) and Qualified Charitable Distributions (QCDs)

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This policy outlines the appropriate use of Donor-Advised Funds (DAFs) and Qualified Charitable Distributions (QCDs) for diocesan events, ensuring compliance with IRS regulations.

Overview

DAFs and QCDs are valuable tools for charitable giving, but their use is subject to strict IRS guidelines, particularly regarding personal benefits such as receiving tickets to events.

- **Donor-Advised Funds (DAFs):** Contributions to DAFs are irrevocable and must be used solely for charitable purposes. The IRS prohibits DAF grants that provide more than an incidental benefit to donors.
- **Qualified Charitable Distributions (QCDs):** QCDs allow individuals aged 70½ or older to contribute directly from their IRA to a qualified charity without incurring taxable income, provided the donor does not receive goods or services in return.

IRS Guidelines on Event Sponsorships and Tickets

1. Use of DAFs and QCDs for Event Sponsorships

A DAF or QCD may be used to sponsor an event only if the donor does not receive any personal benefit. This means:

- The donor must decline attendance and any associated benefits.
- A grant from a DAF or QCD can be used for general event sponsorship or donations, but not for ticketed entry.

IRS Notice 2017-73 explicitly addresses "bifurcated gifts," stating that a DAF cannot be used to cover the tax-deductible portion of a ticket while the donor pays for the non-deductible portion separately. **Internal Revenue Code (IRC) § 4967** further prohibits DAF grants from providing more than an incidental benefit to the donor.

Using a QCD to sponsor or obtain tickets for a charity event, where the donor receives more than an incidental benefit, would disqualify the distribution from being a QCD. The IRS stipulates that if a donor receives a benefit in exchange for a contribution, such as admission to a charity event, only the amount that exceeds the fair market value of the benefit is deductible. Therefore, if a QCD is used to obtain event tickets or sponsorships that provide significant benefits to the donor, it may not qualify as a tax-free distribution.

2. Challenge Bids and Other Fully Deductible Contributions

DAFs and QCDs **may** be used to contribute to event challenge bids or fund-a-need campaigns, as these donations are fully tax-deductible and do not provide tangible benefits to the donor.

3. Prohibited Uses of DAFs and QCDs for Events

DAF grants and QCDs **cannot** be used to:

- Purchase event tickets, even if the donor separately pays for the non-deductible portion.
- Pay for tables or sponsorships where the donor or related individuals receive event benefits, such as meals, entertainment, or auction participation.

Institutions such as **Charles Schwab** and **Fidelity Investments** reinforce this restriction, stating that DAFs cannot be used to pay for event tickets or any contributions that result in personal benefit. (Source: content.schwab.com, charitablegift.fidelity.com)

Similarly, **Vanguard** highlights that QCDs must be a direct transfer to a charity and cannot provide any benefits to the donor. (Source: investor.vanguard.com)

Ticketing Procedure for Donors Wishing to Attend Events

If a donor wishes to attend an event while also making a charitable contribution through a DAF or QCD, they must:

1. Make a separate donation via DAF or QCD for the charitable portion of their gift.
2. Personally pay the full, published ticket price (not just the fair market value) for attendance.

Example:

A donor wishes to sponsor the **Catholic Charities Ball** at the **\$6,500 Brass Sponsorship** level and attend with 10 guests. To comply with IRS regulations:

- The donor contributes **\$6,500** through a DAF or QCD.
- They personally purchase **10 tickets at \$600 each** for a total of **\$6,000** out-of-pocket.

- The total commitment is **\$12,500**, ensuring compliance with IRS guidelines.

Conclusion

The Catholic Diocese of Arlington is committed to adhering to IRS regulations concerning DAFs and QCDs. This policy ensures that charitable contributions maintain their integrity and eligibility under federal tax law. Donors with questions should consult the **Office of Development** or a qualified tax professional.

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