Signed into law in August 2006, the Pension Protection Act of 2006 (PPA) made substantial changes to federal tax law governing charitable organizations, especially with regard to donor advised funds and scholarship funds. The Akron Community Foundation (ACF) has identified certain issues raised by the PPA and has prepared the following questions and answers in an effort to inform donor advisors of the implication of these Federal legal requirements. We encourage you to contact us with any additional questions you may have about your donor advised fund.

1. Can I make grants to individuals from my fund?
No. In general, only qualified public charities and private operating foundations may receive grants from your fund. Qualified charities generally include those described in Internal Revenue Code Sections 501(c)(3) and 170(b)(1)(A). Qualified charities include charitable, religious and educational organizations, school districts, public libraries and other government-affiliated organizations. The PPA also restricts donor advised funds from making scholarship grants to individuals even if the grants are made directly to the qualified charity. This type of direct support is permissible through restricted scholarship funds at ACF. If you have questions about a grant recommendation meeting the necessary requirements, contact our staff. We would be happy to review the recommendation and help you determine eligibility.

2. Can I be reimbursed with a grant from my fund for charitable expenses I incur?
No. The PPA prohibits reimbursement for expenses as well as any type of compensation from your fund to a donor or related person.

3. Can I make a grant for a charity-sponsored event or issue a grant to cover my charity membership dues?
No. Federal law prohibits grants from your fund that provide anything more than an incidental benefit to the donor or related parties. Common examples of grants that provide a donor with personal benefits include gifts composed of charitable and non-charitable portions, such as payment for membership to a museum or other organization; donations that include purchasing rights to athletic events; purchases of tickets or tables for charitable events; or sponsorship of a charitable event where you receive something of value, such as tickets, table seats, parking, or the right to have a foursome entered in a golf outing. In some instances, we can make grants from your fund towards the charitable portion of these gifts. Should you request a grant to sponsor a nonprofit fundraising event but do not wish to attend or accept any tickets, we can make a grant to the organization from your fund (as there will be no “benefit” to you in this instance).

4. What is a permissible incidental or “token” benefit?
Examples of permissible incidental or “token” benefits are items such as calendars, mugs, posters or key chains.
5. Can I make a grant to my church or synagogue to pay my annual membership dues?
In particular situations, no. The law prohibits grants from a donor's fund that pay a donor's church or synagogue membership dues, where a donor's payment of such dues is required for the donor to retain membership status and the rights and privileges of such status, including the right to attend services during certain holidays.

6. Why might my grant recommendation be declined?
To comply with the PPA 2006, ACF cannot approve any donor-recommended grant that:

• Provides anything more than an incidental benefit to the donor or an individual
• Supports lobbying, political campaigns or other political activities, or other non-charitable activities
• Supports a charitable event that would constitute a quid pro quo arrangement (e.g., tickets for a fundraiser dinner)
• Grants that require Expenditure Responsibility are generally prohibited (for example grants to a Private Non-Operating Foundation).

If you have additional questions about the Pension Protection Act of 2006 and how it affects your donor-advised fund grantmaking, contact Cathy Erisey at 330-436-5616 or cerisey@akroncf.org