Dear Chairman Grassley, Chairman Neal, Ranking Member Wyden, and Ranking Member Brady:

We, the undersigned organizations, write to express our concerns about a recent suggestion that Congress increase the private foundation minimum distribution rate and impose a new required minimum payout rate for donor-advised funds. Ultimately, such a proposal will do more harm than good.

Philanthropy has a unique role in our society, helping to advance the greater good by strengthening communities, supporting innovative problem-solving approaches, and acting quickly when crises and disasters occur. In 2019, foundation giving totaled more than $75 billion, helping to support the nonprofit sector, which employs approximately 10 percent of the workforce. Since COVID-19 began its devastating course, foundations of all sizes have responded. Philanthropy has stepped up to provide new resources and increased flexibility to those organizations most impacted and on the frontlines. More than 750 philanthropic organizations have signed a pledge committing to support their grantees and help address the effects of this global crisis. And to date, more than 460 funders have provided $2.6 billion in grants responding to COVID-19 in the United States. In addition, more than 500 community foundations across all 50 states have received more than $880 million of newly mobilized COVID-19 response funds and made grants of nearly $460 million. Fidelity Charitable challenged donors to give more from their donor-advised funds, resulting in 18 percent more in grants compared to last year. These are just a few of the ways the sector has answered the call, and we know there are many more examples in communities across the country. We agree it is imperative to encourage additional generosity in response to this crisis, so we will continue to leverage voluntary action to maximize the resources flowing into nonprofits.
However, the suggestion to double the payout requirement for private foundations and create a new mandate for donor-advised funds would unnecessarily limit philanthropy’s ability to respond to this and future crises. If a similar proposal imposing new mandates had been adopted following the tragedy of September 11, 2001 or the Great Recession of 2008, philanthropy would now have fewer resources and a significantly reduced ability to respond to COVID-19. The value of endowed philanthropy is that it provides long-term responses and support to communities, especially those where wealth is not being replenished. As philanthropy continues to give generously in responding to this health and economic crisis, we oppose a one-size-fits-all mandate, which does not account for the diversity in structure, governance, and mission among philanthropic organizations, and likewise ignores the on-the-ground expertise of philanthropic organizations in knowing how and when to utilize their finite resources. For example, the Ford Foundation and others, without a mandate, have come up with innovative programs to allow themselves to nearly double their payout rates without depleting endowment resources that may be needed in the future. Generous voluntary giving has always been a hallmark of the American spirit.

In the United States and around the world, families, businesses, and communities are facing unprecedented needs. The impact of COVID-19 has meant that philanthropy has had to act as never before. And as expected, philanthropy stepped up. As Congress continues to consider how best to respond to COVID-19, our organizations are ready to work with you to best foster an environment where philanthropy can meet the challenges of today and into the future without unnecessary mandates.

Sincerely,

Council on Foundations
Alliance for Charitable Reform
Independent Sector
United Philanthropy Forum