



ISSUE PAPER

Expand and Extend the IRA Charitable Rollover

Position

The Council strongly supports permanently extending the IRA charitable rollover. We also support expanding the provision to remove limitations on the age of donors and the size of the gifts and to permit charitable rollovers to donor-advised funds, supporting organizations, and private foundations.

The Council understands that the first step to expansion is making the provisions permanent, and therefore supports efforts to make the provision permanent.

H.R. 644, *America Gives More Act of 2015*

S.1772 (113th Congress)

Sponsor:

Senator Charles Schumer (D-NY)

How You Can Support Philanthropy (Ask):

Urge your colleagues in Congress to permanently extend the IRA charitable rollover this year. We ask that the Senate consider H.R. 644 for a vote as soon as possible. This bill passed the full House of Representatives on February 12, 2015.

For more information, contact the
Council's Public Policy and Legal Affairs
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Background

Prior to 2006, taxpayers wishing to transfer Individual Retirement Account (IRA) assets to charity first had to recognize the amount as income, make a transfer, and then claim a charitable deduction for the amount gifted. This often resulted in tax liability, even though the donor ultimately transferred the entire IRA distribution to charity. The Pension Protection Act of 2006 (PPA) partially solved this problem by allowing taxpayers age 70 ½ or older to transfer up to \$100,000 annually from their IRA accounts directly to charity without first having to recognize the distribution as income. Since its passage, the rollover provision within the PPA has proven to be very popular with taxpayers and beneficial to charities.

Yet the provision remains limited in several respects: it is limited to taxpayers age 70½ or older; the amount of gifts is capped at \$100,000; and donors are specifically not permitted to make charitable rollovers to donor-advised funds, supporting organizations, and private foundations. Also, because the provision was only temporary, the IRA rollover provision must be extended annually or it will cease to exist as an option for donors. The provision expired at the end of 2014, and unless Congress acts to restore it, taxpayers will be deprived of the IRA charitable rollover deduction in the 2015 tax year and beyond.

Proposal

H.R. 644 would make the IRA charitable rollover permanent, along with the enhanced deductions for food inventory and conservation easement contributions. On February 12, 2015 the House passed this bill.

S.1772 would permanently extend the rollover, eliminate the \$100,000 cap, allow donors to make rollovers beginning at age 59½, and permit rollovers to donor-advised funds, supporting organizations, and private foundations. This bill has not yet been introduced in the 114th Congress.

Rationale

Provide Certainty to Donors and Nonprofits. The persistent uncertainty created by repeated expirations and reinstatements of the IRA charitable rollover makes it challenging for donors and organizations alike to plan for the timing of charitable gifts in advance. This uncertainty means that critical donations will be delayed indefinitely or not made at all, depriving communities of invaluable charitable dollars.

Increase Charitable Giving. The rollover's popularity with donors has resulted in increased giving from IRA accounts. Community foundations, which make as much as two-thirds of their grants from donor-advised funds, would be able to attract new sources of support if the rollover was expanded to these funds. This source of support is particularly important for small community foundations, those with less than \$5 million in assets, which are particularly dependent on donor advised funds to provide the charitable resources their communities need.

Opposition

No clear policy rationale exists for not extending the IRA charitable rollover permanently. In fact, many individual members of Congress, including those in leadership positions, spoke out in favor of the rollover policy when the House of Representatives took up the *America Gives More Act* and the *Supporting America's Charities Act* in 2014 and early 2015. We are encouraged by the strong support for this charitable giving incentive that we are seeing on the Hill.

However, some congressional Democrats and the Obama White House have expressed opposition to a permanent IRA charitable rollover on the grounds that the bills that have been introduced to date have not included spending offsets—meaning the bills are not paid for by spending cuts elsewhere. The White House issued a Statement of Administration Policy (SAP) on H.R. 644, which stated that if this bill was sent to the President, he would veto it for this reason.