

ISSUE PAPER

Expand the IRA Charitable Rollover

Position

The Council on Foundations supports expanding the IRA charitable rollover to allow more donors to take advantage of this charitable giving tool. Specifically, we support removing the age restriction and the limitation on gift size, and permitting rollover gifts to donor-advised funds, supporting organizations, and private foundations.

Current Law:

On December 18, 2015, the IRA charitable rollover was passed by Congress and signed into permanent law by the President as part of the Protecting Americans from Tax Hikes (PATH) Act.

Background

The IRA charitable rollover is a provision that allows individuals to make distributions directly from their individual retirement accounts (IRAs) to charitable, 501(c)(3) organizations without first claiming the distribution as income.

Prior to this the implementation of this provision, taxpayers wishing to transfer assets from his or her IRA to charity first had to recognize the gift as income, make a transfer, and then claim a charitable deduction for the amount gifted. This often resulted in tax liability—even though the entire IRA distribution went to charity.

The rollover provision was first implemented as a one-year, temporary provision under the Pension Protection Act of 2006 (PPA)—which allowed 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. Every year following the passage of the PPA (until it was made permanent at the end of 2015), this provision was extended on a temporary, one or two year basis—creating uncertainty among community foundations donors.

The IRA charitable rollover provision has proven very popular with taxpayers and beneficial to charities. Yet, this giving tool has not reached its full potential: it is only available to taxpayers age 70½ or older; the maximum gift amount is capped at \$100,000; and donors are not permitted to make charitable rollovers to donor-advised funds, supporting organizations, and private foundations.

How You Can Support Philanthropy (Ask):

Urge your colleagues in Congress to expand the IRA charitable rollover.

Proposals

In April of 2015, Senator Chuck Schumer introduced S.1772 (not active)—which proposed to 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.

Position Rationale

Increase Charitable Giving. The popularity of the rollover with donors has resulted in increased charitable donations. According to a 2015 Urban Institute survey, the majority of community foundations report that they have received IRA charitable rollover donations since the tool first became available to donors in 2006. Yet, community foundations make as much as two-thirds of their grants from donor-advised funds (DAFs). If the IRA charitable rollover was expanded to DAFs, these foundations could engage new donors in their communities. Expanding the rollover to allow donors more choice in how to donate—whether to a donor-advised fund, a private foundation, or directly to a publicly charity—would enhance the culture of charitable giving that helps define who we are as Americans.

For more information, contact the
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