



Legacy IRA Act

Background

Currently, individuals age 72 and above must take required minimum distributions (RMDs) from their individual retirement accounts (IRAs). These distributions are fully taxed as income. In 2015, Congress passed the PATH Act, which included the IRA Charitable Rollover provision that allowed individuals to make direct tax-free gifts of up to \$100,000 annually to charities from their IRA starting at age 70 ½, without counting the distributions as income.

Legacy IRA Act

In 2021, Senators Kevin Cramer (R-SD) and Debbie Stabenow (D-MI) introduced The Legacy IRA Act (S. 243). The bill expands the IRA Charitable Rollover by allowing seniors starting at age 65 to make tax-free IRA rollovers of up to \$400,000 annually to charities through a direct cash gift, a charitable gift annuity or a charitable remainder trust.

This legislation allows the senior donor to meet the required minimum distribution (RMD) and receive fixed payments based on the agreement with the chosen charity. It is a win-win for donors and charities, as donors receive lifetime payments and the charity receives any remainder when the donor passes away. Taxpayers with significant IRA resources, regardless of itemizing status, will benefit from this charitable giving incentive. Planned giving experts indicate that the Legacy IRA Act could raise up to \$1 billion each year for charities.

Current Situation

An amended version of the Legacy IRA Act has been included as part of a bi-partisan retirement package, the Securing a Strong Retirement Act (H.R. 2945), that has been approved by the House of Representatives and been sent to the Senate Finance Committee for further consideration.

The version included in the Securing a Strong Retirement Act does not increase the age or direct gift amount, but does allow donors, starting at age 70 ½, to make tax-free IRA rollovers to charities through life-income plans (charitable gift annuities or charitable remainder trusts or unitrusts) as a one-time qualified charitable distribution, up to \$50,000. Distributions from the charitable annuity to the donor would be taxed, just as distributions from a traditional IRA. The legislation also brings the original IRA Charitable Rollover up to date by indexing for inflation the qualified distribution limit for annual outright gifts, so distributions for charitable purposes can keep pace with inflation.

The Charitable IRA Rollover Is Needed and Increases Giving Significantly

Since its enactment, the IRA Charitable Rollover has generated millions of dollars in new or increased gifts to local and national charities. Over the past few years, these IRA rollover gifts increased approximately 70% for charities across the country due to demographic and tax changes.

The Legacy IRA Act offers an opportunity for Congress to support middle-income seniors who have a charitable intent but need retirement income. Charitable donors have been setting up charitable gift annuities for more than 100 years, which have long been regulated by state insurance departments, and it is estimated that seniors have up to \$5 trillion in IRA assets. The donor receives lifetime payments, and the charity receives any remainder when the donor passes away.

Please support the Legacy IRA provision in the Securing A Strong Retirement Act and push for its enactment!



Universal Giving Pandemic Response and Recovery Act

(Universal Charitable Deduction)

The universal charitable deduction, which allowed all taxpayers (even non-itemizers) to take a charitable deduction of up to \$300 for an individual and \$600 for a couple, expired at the end of 2021.

The Universal Giving Pandemic Response and Recovery Act, S. 618 and H.R. 1704, would reinstate the deduction, extend it through 2022 and expand it by increasing the amount of the deduction to roughly \$4,000 for individuals and \$8,000 for joint filers. It would also allow for gifts to donor-advised funds (which the previous version prohibited).

The Universal Giving Pandemic Response and Recovery Act is the second iteration of a bill originally introduced by Sens. Lankford (R-OK), Coons (D-DE), Scott (R-SC), Klobuchar (D-MN), Lee (R-UT), Shaheen (D-NH) in the Senate, and by Rep. Pappas (D-NH) and former Rep. Walker (R-NC) in the 116th Congress. This group of Senators and Rep. Pappas were joined in 2021 by Sens. Collins (R-ME), Cortez Masto (D-NV) and Rep. Walorski (R-IN) when the bill was re-introduced.

Charitable Giving Has Increased Since Enactment of Universal Charitable Deduction

Since March 2020, when Congress enacted a \$300 charitable deduction for cash gifts from nonitemizers for 2020, charitable giving – especially of gifts less than the \$300 cap – has increased significantly.

AFP's Fundraising Effectiveness Project found that gifts of \$300, the exact amount of the previous universal charitable deduction for individuals, rose in both 2020 and 2021 (by roughly 7.5% each year) when the deduction was available. In addition, when looking specifically at the last day of each year (typically the busiest day for charitable giving), gifts of exactly \$300 rose by 33% in 2020 and then another 7% in 2021, when compared to 2019. While there are many factors that contribute to increased giving, one key factor is the availability of the charitable deduction to nonitemizers.

The Charitable Deduction Works

Generous Americans have given more than \$400 billion annually for the last decade. Charitable dollars are essential to maintaining a healthy civil society, vital to both nonprofit charities and local governments that depend on these resources to achieve their critical missions.

The charitable deduction is good tax policy – it encourages individuals to give away more of their income, devoting it to their community's needs rather than their own. A simple calculation shows that those in need receive \$2.50 in benefit for every \$1 of tax benefit. This is an impressive return on investment.

Congress Should Enact the Universal Giving Pandemic Response and Recovery Act

The universal charitable deduction is especially important now, as nonprofits appear to be recovering more slowly than the overall economy through the first quarter of 2022. According to the latest *Health of the U.S. Nonprofit Sector: Quarter Review*, from Independent Sector, the sector has not recovered almost a half-million nonprofit jobs lost from the pandemic, while charitable giving is not keeping pace with economic growth rates.

In addition, this legislation will democratize giving by further incentivizing all American taxpayers—regardless of their income—to give to charity, thereby ensuring that our country retains a strong and independent civil society. And it will provide needed resources for charitable and faith-based organizations to continue providing vital services to families, workers, and communities, especially those critically impacted by the ongoing pandemic.

Please cosponsor the Universal Giving Pandemic Response and Recovery Act and push for its enactment!