



INDEPENDENT SECTOR

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Fact Sheet – Public Good IRA Rollover Act of 2007 (S. 819/H.R. 1419)

Background:

In August 2006, a limited version of the IRA Charitable Rollover was enacted as part of the Pension Protection Act (P.L. 109-280). Scheduled to expire at the end of 2007, the current IRA Charitable Rollover permits IRA owners starting at age 70½ to make tax-free charitable gifts totaling up to \$100,000 per year from their IRAs directly to eligible charities without suffering a tax penalty. The Joint Committee on Taxation (JCT) scored this at \$856 million over ten years.

Public Good IRA Rollover Act of 2007 (S. 819/H.R. 1419)

Sponsored by Senators Byron Dorgan (D-ND) and Olympia Snowe (R-ME) and Representatives Earl Pomeroy (D-ND) and Wally Herger (R-CA), this legislation builds on the success of the current limited IRA Charitable Rollover by:

- making the charitable giving incentive permanent;
- removing the present \$100,000 dollar cap on donations per year;
- making all charities eligible to receive IRA Rollover donations; and,
- providing IRA owners with the opportunity, starting at age 59 ½, to create a life-income (or deferred) gift through several planned giving options.

Benefits of the IRA Charitable Rollover

- **It encourages new giving that enables charities to improve more lives.**

The existing IRA Charitable Rollover, though limited, has already led Americans to make millions of dollars in new charitable donations from their IRAs to support programs and services that help enrich lives and strengthen communities. Initial reports to the National Committee on Planned Giving already show that during the first four months the provision was in effect, Americans made nearly \$70 million in contributions to nonprofits through the IRA rollover.

- **It helps older Americans to support important causes without tax penalty.**

At age 70½ and older, IRA owners are required to take annual distributions from their retirement accounts, even if they do not need the money, and pay taxes on it. Only those who itemize deductions receive credit if they use those funds to make charitable contributions, and the amount of their deduction may be limited by tax rules. This new incentive allows seniors who claim the standard deduction or face other tax limitations to use a portion of their IRA funds to support their cherished causes – including churches or synagogues, hospitals, museums, schools, and social service organizations – without suffering a tax penalty.

Cost of the bill

Although the Public Good IRA Rollover Act of 2007 (S. 819/H.R. 1419) has not yet been scored, JCT scored similar IRA Charitable Rollover provisions at \$2.97 billion over ten years. JCT scored a two year identical IRA Charitable Rollover provision included in the Senate version of the “Tax Relief Act of 2005” (H.R. 4297) at \$914 million over ten years.

For more information, please contact Steven Bloom (stevenb@independentsector.org) of Independent Sector by email or telephone at (202) 467-6102.

Independent Sector is a nonpartisan membership organization that helps the nonprofit community improve lives across the country and around the world. Our 575 members—comprised of charities, foundations and corporate philanthropy programs—work with each other, other nonprofits, business, government, and the public to solve problems, enrich communities, and strengthen society.