PDF Attachment Submitted by American Council on Gift Annuities and National Catholic Development Conference.

Our three points:

1. **The "extenders" provision that provided for direct tax-free transfers to public charities from IRAs (the "Charitable IRA Rollover") expired at the end of 2014 and should be made permanent.**

   The law that expired in 2014. An individual age 70½ or older could make direct (outright) charitable gifts from an IRA — including required minimum distributions — of up to $100,000 to public charities (other than donor-advised funds and supporting organizations) and not have to report the IRA distributions as taxable income on his or her federal income tax return. Most private foundations weren't eligible donees, but private operating and pass-through (conduit) foundations were. The expired tax-free rollover was for outright gifts only, not life-income gifts. A charitable deduction wasn't allowable for the amount transferred to charity from an IRA, but the donor wasn't taxable on the amount transferred — up to $100,000.

   The Charitable IRA Rollover is unique in that it gives tax incentives to the two-thirds of taxpayers who don't itemize but take the standard deduction. Although no charitable deduction is allowable for Charitable IRA Rollovers, the rollovers aren't taxable. No tax on otherwise taxable income is the equivalent of a charitable deduction for nonitemizers.

   The Charitable IRA Rollover, first enacted in 2006, has resulted in millions of dollars of charitable gifts that would not otherwise have been made. It helps the Americans served by our nation's charities — provides for feeding the hungry, education, medical services, sheltering the homeless and myriad other services that American citizens need.

   This provision has expired a number of times and has been reenacted retroactively, but often too late for most taxpayers to avail themselves of this way of benefitting the people served by our nation's charities.

   Being off-again-on-again-off-again is confusing to donors and reduces the number of new donors and repeat annual donors. The law should be made permanent.

2. The Charitable IRA should be expanded to include life-income charitable gifts. Those gifts would pay income to the donor for life, with a remainder to a qualified charity. This would be at no revenue cost to the government because annual payments to the donors would be fully taxable at ordinary income tax rates.

3. We ask the Senate Finance Committee to report out as a separate bill our proposed All-American Charitable IRA Rollover Act (draft language is at the end of this statement).

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- **The Act would provide certainty by making permanent the law that expired at the end of 2014 that allowed individuals age 70½ or older to make direct (outright) gifts from an IRA of up to $100,000 per year to qualified charities.**

- **The Act would expand the expired law to authorize tax-free IRA rollovers for gifts that benefit charities and provide taxable retirement income for the donors.** The qualified charities would be the same donees authorized under the law enacted in 2006 and that expired in 2014 for direct transfers. There would be a $500,000 annual ceiling for life-income rollovers and donors must be age 59½ or older.

- **Required minimum distributions.** The types of life-income plans in the Act assure that the annual taxable payments will be equal to (or greater than) what an individual would receive under the required minimum distribution rules had he or she kept the funds in the IRA instead of rolling them over for a life-income plan. The life income paid from the rollover cannot be assigned.

- **No revenue loss to the government.** Under the Act's authorized life-income plans, the IRA owner will be taxable on income received at ordinary income tax rates. Because the payouts are 5% or more, there will be more income paid with the charitable plans than under the normal payouts of the minimum required distribution rules. The higher payout amounts will produce greater tax revenue for the Treasury.

The expired direct (outright) Charitable IRA Rollover has resulted in millions of dollars of charitable gifts that would not otherwise have been made. It helps the Americans served by our nation's charities — provides for feeding the hungry, education, medical services, housing assistance, and myriad other services that American citizens need. **The life-income rollover would greatly increase those gifts.**

Why would IRA owners not just give outright to charity (a direct gift) from an IRA under a renewal of the law that expired in 2014? Many IRA owners want to make charitable gifts, but also need retirement income. The life-income IRA rollover is an excellent way for donors of average resources to combine a charitable gift with retirement income. Many charities have donors who are "standing by" and wish to make life-income charitable gifts from their IRAs.

This is an All-American Charitable IRA Rollover. It allows all Americans with IRAs — not just wealthy taxpayers — who meet the minimum age requirements, to benefit charities. And since it encourages nonitemizers (over 65% of taxpayers) as well as itemizers, it is truly All-American.

To sum up: Decreased support from federal, state and local governments and increased burdens on charities make this the time to enact permanent legislation that increases — not decreases — the incentive to make charitable gifts. Charities

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need the funds now to do their vital work.

We ask that the Charitable IRA not get bogged down by being considered as part of overall "tax reform." Almost all observers say that comprehensive tax reform is virtually impossible in 2015 and 2016. Thus we ask the Congress to now enact the All-American Charitable IRA (draft bill is part of this statement) as stand-alone legislation.

We urge you to act now.

There is a tide in the affairs of men
Which taken at the flood, leads to fortune,
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a full sea are we now afloat,
And we must take the current where it serves,
Or lose our ventures.

— *Shakespeare's* Julius Caesar

cc: Chairman Orrin Hatch
Ranking Member Ron Wyden

All-American Charitable IRA Rollover Act of 2015 — Draft Bill

To amend the Internal Revenue Code of 1986 to expand tax-free distributions from individual retirement accounts to include rollovers for charitable life-income plans for charitable purposes.

Be it enacted by the House of Representatives and the Senate of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "All-American Charitable IRA Rollover Act of 2015."

SEC. 2. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS FOR CHARITABLE PURPOSES.

(a) In General -- Paragraph (8) of section 408(d) of the Internal Revenue Code of 1986 (relating to tax treatment of distributions) is amended to read as follows:

(8) DISTRIBUTIONS FOR CHARITABLE PURPOSES

(A) IN GENERAL

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For purposes of this paragraph, so much of the aggregate amount of qualified charitable distributions with respect to a taxpayer made during any taxable year -

(i) which is made directly by the trustee to an organization described in section 170(b)(1)(A) (other than any organization described in section 509(a)(3) or any fund or account described in section 4966(d)(2)), and does not exceed $100,000, shall not be includable in gross income of such taxpayer for such taxable year, or

(ii) which is made directly by the trustee to a qualified split-interest entity for the benefit of an organization described in section 170(b)(1)(A) (other than any organization described in section 509(a)(3) or any fund or account described in section 4966(d)(2)), and does not exceed $500,000, shall not be includable in gross income of such taxpayer for such taxable year.

(B) QUALIFIED CHARITABLE DISTRIBUTION

For purposes of this paragraph, the term "qualified charitable distribution" means any distribution from an individual retirement plan (other than a plan described in subsection (k) or (p)) -

(i) which is made directly by the trustee to an organization described in section 170(b)(1)(A) (other than any organization described in section 509(a)(3) or any fund or account described in section 4966(d)(2)), and which is made on or after the date that the individual for whose benefit the plan is maintained has attained age 70½, or

(ii) which is made directly by the trustee to a qualified split-interest entity for the benefit of one or more organizations described in section 170(b)(1)(A) (other than any organization described in section 509(a)(3) or any fund or account described in section 4966(d)(2)), and which is made on or after the date that the individual for whose benefit the plan is maintained has attained age 59½.

A distribution shall be treated as a qualified charitable distribution only to the extent that the distribution would be includable in gross income without regard to subparagraph (A).

(C) CONTRIBUTIONS MUST BE OTHERWISE DEDUCTIBLE

For purposes of this paragraph -

(i) a distribution to an organization described in subparagraph (B)(i) shall be treated as a qualified charitable distribution only if a deduction for the entire distribution would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph), or

(ii) a distribution to a split-interest entity described in subparagraph (B)(ii) shall be treated as a qualified charitable distribution only if a deduction for the entire value of the interest in the distribution for the benefit of an organization described in subparagraph

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(B)(ii) would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).

(D) APPLICATION OF SECTION 72

Notwithstanding section 72, in determining the extent to which a distribution is a qualified charitable distribution, the entire amount of the distribution shall be treated as includable in gross income without regard to subparagraph (A) to the extent that such amount does not exceed the aggregate amount which would have been so includable if all amounts in all individual retirement plans of the individual were distributed during such taxable year and all such plans were treated as one contract for purposes of determining under section 72 the aggregate amount which would have been so includable. Proper adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.

(E) SPLIT-INTEREST ENTITY DEFINED

For purposes of this paragraph, the term "split-interest entity" shall include -

(i) a charitable remainder annuity trust as defined in section 664(d)(1) which must be funded exclusively by a qualified charitable distribution, or

(ii) a charitable remainder unitrust as defined in section 664(d)(2) which must be funded exclusively by one or more qualified charitable distributions, or

(iii) a charitable gift annuity as defined in section 501(m)(5) which must be funded exclusively by a qualified charitable distribution, and shall commence fixed payments of 5% or greater not later than one year from date of funding.

(iv) No person may hold an income interest in a charitable remainder annuity trust, a charitable remainder unitrust or a charitable gift annuity funded by a qualified charitable distribution other than one or both of the following: the individual for whose benefit the individual retirement plan is maintained and the spouse of such individual. Income interests in split-interest entities funded by qualified charitable distributions shall not be assignable.

(F) SPLIT-INTEREST ENTITY DISTRIBUTIONS

For purposes of this paragraph -

(i) notwithstanding section 664(b), distributions made from a trust described in subparagraph (E)(i) or subparagraph (E)(ii) shall be treated as ordinary income in the hands of the beneficiary to whom is paid the annuity described in section 664(d)(1)(A) or the payment described in section 664(d)(2)(A), and

(ii) qualified charitable distributions made for the purpose of funding a charitable gift annuity shall not be treated as an investment in the contract under section 72(c).

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(G) DETERMINING DEDUCTION UNDER SECTION 170

Qualified charitable distributions shall not be taken into account in determining the deduction under section 170.

Drafted by Conrad Teitell 3/24/15

SUBMITTED BY

The American Council on Gift Annuities is sponsored by over 800 social welfare charities, health organizations, environmental organizations, colleges, universities, religious organizations and other charities. The Mission of ACGA is to actively promote responsible philanthropy.

The National Catholic Development Conference has 350 member organizations collectively serving over 150 million people in areas of education, healthcare, social services, and emergency relief. NCDC's mission is to lead Catholic organizations in their development ministries by providing opportunities for growth, leadership and excellence.

Contact Information

Lindsay L. Lapole, III Chairman, The American Council on Gift Annuities. 1260 Winchester Parkway, SE, Suite 205, Smyrna, GA 30080-6546, Phone: (770) 874-3355, Fax: (770) 433-2907, email: acga@acga-web.org.

Sister Georgette Lehmuth, OSF, President and CEO, National Catholic Development Conference. 86 Front Street, Hempstead, NY 11550-3667, Phone: (516) 481-6000. Fax: (516) 489-9287, website: www.ncdc.org.

Conrad Teitell (volunteer counsel for this submission), Cummings & Lockwood, Six Landmark Square, Stamford, CT 06901. Phone: (203) 351-4164; Fax: (203) 708-3840; e-mail: cteitell@cl-law.com.

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