

Legacy IRA Act (S. 243/H.R. 2909) Update and Coalition Talking Points

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Incentivizing Charitable Giving through the Expanding IRA Charitable Rollover

Talking Points

- The Legacy IRA Act is a win-win as it would encourage increased giving to charities by seniors with individual retirement accounts (IRAs), while also helping those seniors who need a lifetime income.
- The current IRA charitable rollover in law allows taxpayers age 70½ or older to make charitable gifts of up to \$100,000 per year directly from their IRAs to eligible charities.
- The Legacy IRA Act would expand the IRA Charitable Rollover by incentivizing seniors to make donations from traditional IRAs through life-income plans, such as charitable gift annuities or charitable remainder trusts. It would also increase rollover cap above \$100,000 to permanently reflect inflation, the first increase in more than 15 years.
- It helps seniors who cannot afford to give away their retirement income during their lifetimes.
- Many nonprofits are reliant on giving from seniors. The average age of a U.S. donor is 64 and Baby Boomers account for 43% of all current charitable donations, according to a Philanthropy Roundtable study.
- This is a rare bipartisan effort. While the Legacy IRA Act was introduced as stand-alone bills, it has a good chance to pass into law this year as part of the broader retirement package.
- It has passed the House by a vote of 414-5 (H.R. 2954, "SECURE 2.0"). Then, on June 24th, it was passed by Senate Finance Committee (Enhancing American Retirement Now Act, or "EARN Act").

Ask: This coalition is urging Congress to pass bipartisan retirement legislation with the modified version of the Legacy IRA Act.

Frequently Asked Questions & Answers

What is the current IRA Charitable Rollover?

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. The current IRA Charitable Rollover allows individuals age 70 ½ to donate up to \$100,000 annually of their IRA distributions directly to charitable organization, without counting the distributions as ordinary income.

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

How does the Legacy IRA Act expand and improve the IRA Charitable Rollover?

The Legacy IRA Act expands the IRA Charitable Rollover by allowing seniors to make up to \$50,000 IRA rollover to charities through a charitable gift annuity or a charitable remainder trust.

This 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.

It would also permanently index the existing IRA Charitable Rollover.

Why focus on increasing charitable giving from seniors?

70- to 80-year-olds are the fastest growing age bracket in the US. It is expected that 10,000 Baby Boomers will turn 65 every day through 2030, and those over 65 now represent 15 percent of the total population.

Seniors are the largest share of the donor base for many charities. Over the last few years, nonprofits have seen a surge in the number of IRA rollover gifts coming into their organizations. Many nonprofits will continue to be reliant on giving from seniors. The average age of a U.S. donor is 64 and Baby Boomers account for 43% of all current charitable donations, according to a Philanthropy Roundtable study.