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.

IN THE SENATE OF THE UNITED STATES  
FEBRUARY 4, 2021

Mr. CRAMER (for himself, Ms. STABENOW, Mr. DAINES, Ms. ROSEN, and Mr. CORNYN) introduced the following bill; which was read twice and referred to the Committee on Finance

A 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.

1  Be it enacted by the Senate and House of Representa-
2  tives of the United States of America in Congress assembled,
3  SECTION 1. SHORT TITLE.
4  This Act may be cited as the “Legacy IRA Act”.

Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,
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 is amended to read as follows:

“(8) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—

“(A) IN GENERAL.—No amount shall be includible in gross income by reason of a qualified charitable distribution.

“(B) LIMITATIONS.—

“(i) IN GENERAL.—The aggregate amount excluded from gross income under subparagraph (A) with respect to all types of qualified charitable distributions for a taxable year shall not exceed $400,000.

“(ii) LIMITATION ON OUTRIGHT CONTRIBUTIONS.—The aggregate amount excluded from gross income under subparagraph (A) for a taxable year with respect to distributions described in subparagraph (C)(i)(I) shall not exceed $130,000.

“(C) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the term ‘qualified charitable distribution’ means
any distribution from an individual retirement account—

“(i) which is made directly by the trustee—

“(I) to a specified charitable organization as an outright contribution, or

“(II) to a split-interest entity, and

“(ii) which is made on or after the date on which the individual for whose benefit the account is maintained has attained—

“(I) in the case of any distribution described in clause (i)(I), age 70½, and

“(II) in the case of any distribution described in clause (i)(II), age 65.

“(D) SPECIAL RULES RELATING TO DISTRIBUTIONS.—For purposes of this paragraph—

“(i) DISTRIBUTION MUST BE OTHERWISE INCLUDIBLE.—A distribution from an individual retirement account shall be
treated as a qualified charitable distribution only to the extent that the distribution would be includible in gross income without regard to subparagraph (A).

“(ii) LIMITATION ON INCOME INTERESTS.—A distribution from an individual retirement account to a split-interest entity shall be treated as a qualified charitable distribution only if—

“(I) no person holds an income interest in the split-interest entity other than the individual for whose benefit such account is maintained, the spouse of such individual, or both, and

“(II) the income interest in the split-interest entity is nonassignable.

“(iii) CONTRIBUTIONS MUST BE OTHERWISE DEDUCTIBLE.—A distribution from an individual retirement account to a specified charitable organization shall be treated as a qualified charitable distribution only if—

“(I) in the case of a distribution to a charitable remainder annuity
trust or a charitable remainder unitrust, a deduction for the entire value of the remainder interest in the distribution for the benefit of a specified charitable organization would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph), and

“(II) in the case of a charitable gift annuity, a deduction in an amount equal to the amount of the distribution reduced by the value of the annuity described in section 501(m)(5)(B) would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).

“(E) SPECIFIED CHARITABLE ORGANIZATION.—For purposes of this paragraph, the term ‘specified charitable organization’ means 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)).
“(F) Split-interest entity.—For purposes of this paragraph, the term ‘split-interest entity’ means—

“(i) a charitable remainder annuity trust (as defined in section 664(d)(1)), but only if such trust is funded exclusively by qualified charitable distributions,

“(ii) a charitable remainder unitrust (as defined in section 664(d)(2)), but only if such unitrust is funded exclusively by qualified charitable distributions, or

“(iii) a charitable gift annuity (as defined in section 501(m)(5)), but only if such annuity is funded exclusively by qualified charitable distributions and commences fixed payments not later than 1 year from the date of funding.

“(G) Special rules.—

“(i) Charitable remainder trusts.—Notwithstanding section 664(b), distributions made from a trust described in clause (i) or (ii) of subparagraph (F) shall be treated as ordinary income in the hands of the beneficiary to whom the annuity described in section 664(d)(1)(A) or
the payment described in section 664(d)(2)(A) is paid.

“(ii) CHARITABLE GIFT ANNUITIES.— Qualified charitable distributions made to fund a charitable gift annuity shall not be treated as an investment in the contract for purposes of section 72(e).

“(iii) 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 includible in gross income to the extent that such amount does not exceed the aggregate amount which would have been so includible if all amounts in all individual retirement plans of the individual were distributed during the taxable year and all such plans were treated as 1 contract for purposes of determining under section 72 the aggregate amount which would have been so includible. Proper adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.
“(iv) Determining deduction under section 170.—Qualified charitable distributions shall not be taken into account in determining the deduction under section 170.

“(v) Required minimum distributions.—The entire amount of a qualified charitable distribution shall be taken into account for purposes of section 401(a)(9).”.

(b) Effective Date.—The amendment made by this section shall apply to distributions made in taxable years ending after the date of the enactment of this Act.