Help Seniors Increase Charitable Giving

Legacy IRA Act of 2021

The Issue
The undersigned nonprofit organizations support legislation allowing middle-income seniors more flexibility to make gifts to charities through their individual retirement accounts (IRAs). This expansion of current law would increase critical charitable giving, now more important than ever as nonprofits lost nearly one million jobs due to the pandemic. Given trends over the last six months, it will take nearly 18 months for nonprofits to regain all of the jobs lost since COVID hit.

Despite the financial and operational challenges due to COVID-19, our nonprofit coalition partners have continued to provide critical services such as health research and patient education, food assistance, domestic violence services, childcare, youth homeless shelters, and virtual cultural and arts programming.

The Legislation
In 2015, Congress passed the PATH Act, which included the IRA Charitable Rollover provision allowing individuals to make direct tax-free charitable gifts up to $100,000 annually from their IRA starting at age 70 ½. Since its enactment, the IRA Charitable Rollover has generated millions of dollars in new or increased contributions to local and national charities. The Legacy IRA Act builds on that success to expand the existing IRA Charitable Rollover, allowing seniors starting at age 65 to make tax-free IRA rollovers to charities through life-income plans (charitable gift annuity or charitable remainder trust).

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. The donor receives lifetime payments, and the charity receives any remainder when the donor passes away.

The Legacy IRA Act provides seniors who have planned well for retirement with another giving option by allowing them to use their IRAs to fund a gift annuity. It is estimated that seniors have up to $5 trillion in IRA assets. This offers a way for middle-income donors to combine charitable gifts with retirement income. It helps existing charities, as seniors typically make up more than half of their donors.

The undersigned coalition of nearly 50 national nonprofits support the bipartisan Legacy IRA Act. In the 117th Congress, Senators Cramer and Stabenow introduced The Legacy IRA Act (S. 243). A modified version of the Legacy IRA Act was included in the bipartisan Securing a Strong Retirement Act of 2020 introduced by House Ways and Means Committee Chairman Neal and Ranking Member Brady in October 2020 (H.R. 8696, Section 310). The bill under Section 310 modifies the Legacy IRA Act to allow for the funding of life income gifts up to $130,000 and expands the original IRA Rollover provision up to $130,000 in outright gifts. Under Section 311, it would change the rules to make qualified distributions from other qualified retirement plans, such as 401(k)s, to nonprofits. This coalition supports the standalone Legacy IRA Act and the version included in the House Ways and Means retirement package.

Score/Cost of the Bill
The Joint Committee on Taxation has scored the Legacy IRA Act at $38 million per year. The cost is minimal because the income on any life income gift is fully taxable at ordinary income levels. Planned giving experts indicate that the Legacy IRA Act could raise up to $1 billion each year for charities.

Supporters
Alliance for Strong Families and Communities
ALS Association
Alzheimer's Association and the Alzheimer's Impact Movement
American Alliance of Museums
American Cancer Society Cancer Action Network
American Council for Gift Annuities
American Heart Association
American Red Cross
Americans for the Arts
Asian Pacific Community Fund Association of Art Museum Directors
Association of Fundraising Professionals
Boys & Girls Clubs of America
Catholic Charities USA
Covenant House International
Council for Advancement and Support of Education
Council for Christian Colleges & Universities
Council on Foundations
DANCE/USA
Girl Scouts of the USA
The Evangelical Lutheran Good Samaritan Society
Girls Inc.
Goodwill USA
Habitat for Humanity International
Hemophilia Federation of America
Independent Sector
Jewish Federations of North America
League of American Orchestras
Lutheran Services in America
March of Dimes
Mental Health America
National Alliance on Mental Illness
National Association of Charitable Gift Planners
National Association of College and University Business Officers
National Council of Nonprofits
National Multiple Sclerosis Society
The Nonprofit Alliance
OPERA America
Performing Arts Alliance
Providence St. Joseph Health
The Salvation Army USA ServiceSource, Inc.
Theatre Communications Group
United Philanthropy Forum
United Way Worldwide
Volunteers of America
YMCA of the USA
YWCA USA

We urge Members of Congress to support the Legacy IRA Act. For more information about the bill, please contact Emily Horowitz at American Heart Association at Emily.horowitz@heart.org