

REINSTATING THE IRA CHARITABLE ROLLOVER PROVISION

Increasing Support for America's Nonprofit Community

Like thousands of other nonprofits in the arts, education, and human services, and other community organizations, most of America's orchestras are classified as 501(c)(3) tax-exempt organizations. Orchestras and the full range of other charitable organizations rely on private contributions to enable them to serve community needs.

ACTION NEEDED

We urge Congress to reinstate the IRA Charitable Rollover provision, allowing individuals to roll funds from their Individual Retirement Accounts to nonprofit organizations without taking a tax penalty.

TALKING POINTS

- **The IRA Charitable Rollover Act has broad bipartisan support.** Key leaders in the House and Senate have supported reinstating and extending this incentive for charitable giving.
- **The IRA Rollover allows a donor who has reached age 70 ½ to transfer IRA funds directly to a charity without incurring income tax on the transfer.** This provision encourages new contributions from Americans across the economic spectrum who will no longer have to pay tax on a charitable contribution from their IRA funds. Beginning at age 70 ½, all IRA owners are required to take annual minimum distributions. With the charitable rollover, IRA owners can use the full distribution – up to \$100,000 - to support the work of the nonprofit community.
- **The cycle of expiration and reinstatement impedes opportunities to make the most of this important charitable giving incentive.** The IRA Rollover has the capacity to spur new and increased contributions, but the continuous expiration and reinstatement has caused great confusion for donors, leaving them unable to plan gifts from IRA accounts. In the short periods of time during which the IRA Rollover has been in effect, Americans have made contributions to nonprofits that benefit people every day. The IRA Rollover must be reinstated as soon as possible to regain the momentum of increased charitable contributions.
- **Ticket sales and admission fees alone do not come close to subsidizing the artistic presentations, educational offerings, and community-based programming of nonprofit arts organizations.** Approximately 40% of financial support for orchestras is derived from charitable giving. Without this support, public access to the arts would be greatly diminished.
- **Supporting this tax incentive for charitable giving will expand nonprofit services and provide a net benefit to the public. The nonprofit arts, supported by an essential combination of public and private support, contribute to communities in myriad ways, including:**
 - Communicating across religious, ethnic, and political divides, both at home and abroad,
 - Attracting businesses, investment, and entrepreneurs;
 - Creating a skilled, creative, and innovative workforce;
 - Exploring civic issues, both current and past;

- Creating human and social services programs focusing on health and wellness, senior services, and many other areas;
- Providing in-school and afterschool programs for children and teachers, as well as lifelong learning for all;
- Preserving our cultural heritage and making it accessible to all who wish to participate; and
- Adding immeasurably to the quality of life in our communities through vibrant artistry.

BACKGROUND

The IRA Rollover provision, enacted as part of the Pension Reform Act of 2006, permits donors age 70 ½ and older to make tax-free charitable gifts directly from their IRAs, up to an annual ceiling of \$100,000. Without the IRA Rollover provision, individuals who make charitable gifts from their retirement accounts must withdraw funds and treat them as taxable income, reducing the amount available for donation to charity. Since its enactment, the IRA Rollover has spurred millions of dollars in new charitable gifts.

The provision has gone through multiple cycles of expiring and being reinstated, most recently as part of a package of short-term tax provisions that was reinstated for a very short time and expired on December 31, 2014. In recent years, bills have been introduced in both the House and Senate that would reinstate the IRA charitable rollover, lift the \$100,000 cap on distributions, and allow charitable gifts to be made at age 59 ½. In December 2014, the House voted 275-149 to pass the [Supporting America's Charities Act](#) (H.R. 5806), which would have permanently reinstated the IRA Charitable Rollover. The bill came under a Presidential veto threat over how to pay for the provision, and so it failed to garner the 2/3 majority support needed to move ahead.

In the 114th Congress, the House voted 279-137 to pass the [America Gives More Act](#) (H.R. 644), a package of three charitable giving provisions that includes making the IRA Charitable Rollover permanent. The Senate has not yet taken up this bill for consideration.

The League of American Orchestras is a member of the Legislative Planning Committee for Arts Advocacy Day. Positions in this brief were developed in partnership with the Committee.