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# IRA Charitable Rollover
# Fact Sheet

## Overview

From its enactment in August 2006 until its expiration in December, the IRA charitable rollover tax incentive generated needed additional resources to empower nonprofits to enrich lives and strengthen communities. The provision allowed older individuals to donate up to $100,000 from their Individual Retirement Accounts (IRAs) and Roth IRAs to public charities without having to count the distributions as taxable income.

## Current Status

The provision expired on December 31, 2007, and it will take Congressional action to restore it. We urge Congress to extend the IRA charitable rollover as soon as possible by attaching the provision to any tax legislation coming up for a vote.

## How it works

Tax law requires individuals age 70½ and older to make annual distributions from their IRAs. The distributions are included in the taxpayers' adjusted gross income (AGI), and taxpayers pay taxes on them. The IRA charitable rollover provision, instead, permitted individuals aged 70½ and older to instruct their IRA trustee to make a distribution directly to the public charity, without first sending the money to the individual.

## Who benefits?

Since enactment in August 2006, the IRA charitable rollover generated a significant amount of new charitable giving by eliminating the barrier in the tax law that had discouraged transfers from individual retirement accounts to charities. The IRA charitable rollover enabled older Americans to make millions of dollars of new contributions to the nonprofits—including hospitals, museums, educational institutions, and religious organizations—that benefit people and the common good every day. Those who benefited from the giving incentive include:

- **Taxpayers who don't itemize their deductions.** The IRA rollover provided the most benefit to the nearly two-thirds of Americans who do not itemize deductions on their annual income tax returns and therefore do not receive a tax benefit for their charitable contributions. Non-itemizers include lower- and middle-income taxpayers, as well as an estimated 5.2 million higher-income individuals.

- **Taxpayers who live in states that do not permit tax deductions for charitable donations.** Indiana, Michigan, New Jersey, Ohio, Massachusetts, and West Virginia do not allow itemized tax deductions, and taxpayers are required to pay state income tax on all charitable donations. By making a charitable donation through an IRA, taxpayers excluded the amount from their state income and, consequently, from state taxes.

- **Donors who've reached income or giving limits.** Several federal tax deductions – dependent and personal exemption deductions, for instance – become smaller as a taxpayer's income increases. Also, donors who itemize their deductions are prohibited from deducting more than 50 percent of their annual gross income for the purpose of making contributions to public charities. By making charitable donations from an IRA, rather than making regular, required distributions that qualify as income, taxpayers kept their annual income down and qualify for other tax deductions.

- **The people and communities served by charitable organizations that receive donations from IRA rollovers.**