What is It?

- The IRA Charitable Rollover tax incentive allows individuals age 70½ and older to donate up to $100,000 from their Individual Retirement Accounts (IRAs) and Roth IRAs to public charities, including colleges and universities, without having to count the distributions as taxable income. Established as part of the Pension Protection Act of 2006, the IRA Charitable Rollover eliminated the barrier in the tax law that had discouraged individuals from making charitable donations from their IRAs.

- Taxpayers age 70½ and older are required to make annual distributions from their IRAs. These distributions are included in the taxpayers’ adjusted gross income (AGI), and taxpayers pay taxes on them. The IRA Charitable Rollover permits taxpayers to make donations directly to charitable organizations from their IRAs without counting them as part of their AGI and, consequently, without paying taxes on them.

- Amounts “rolled over” or distributed to charities are taken into account for purposes of the IRA Charitable Rollover are not taken into account in determining the Section 170 charitable deduction.

- The IRA Charitable Rollover is a charitable giving incentive that is particularly beneficial to so-called “non-itemizers” – individuals who do not itemize tax deductions. Moreover, taxpayers in states that do not allow itemized deductions and follow federal income inclusion rules may save on their state taxes by making qualified charitable distributions from their IRAs.

- Donations from 403(b) plans, 401(k) plans, pension plans, and other retirement plans are ineligible. Distributions must be made directly from the IRA trustee or administrator payable to the public charity, such as a tax-exempt university. Donors cannot receive any goods or services in return for charitable IRA rollover contributions in order to qualify for tax-free treatment.

- The IRA Charitable Rollover provision was last renewed as part of the American Taxpayer Relief Tax Act of 2012, but it expired on December 31, 2013.

The IRA Charitable Rollover and Universities and Colleges

- The IRA Charitable Rollover encourages increased charitable giving to all public charities, including colleges and universities. In 2007, several higher education organizations and the Council for Advancement and Support of Education (CASE) surveyed universities and colleges about charitable IRA distributions. They received data from 581 four-year private and public colleges and universities. Among their findings:
  - Universities and colleges reported receiving almost 13,000 individual IRA gifts with a total value of $185 million.
o Of the institutions that tracked how IRA charitable rollover gifts were used, 86 percent distributed IRA rollover gifts to undergraduate student financial aid.

o 67 percent of the gifts to institutions were in amounts of $10,000 or less.

o More than 80 percent of the respondents indicated that the IRA Charitable Rollover resulted in gift revenue that otherwise would not have been received by their college or university.

What Potential Reforms are being Discussed in the 113th Congress?

- The current IRA Charitable Rollover could be improved to encourage greater use of the provision and increase charitable giving. Current law states that donors must be at least 70½ years of age to make charitable IRA distributions and that they may donate up to $100,000 per year. The age requirement could be lowered and the donation limit could be increased so as to make the provision available to more people and to allow larger donations. Permanent extension of this expiring provision would also encourage greater usage because donors could better plan their charitable giving and personal finances.

Additional Information

- Joint Committee on Taxation Report, JCX-4-13, Present Law And Background Relating To The Federal Tax Treatment Of Charitable Contributions – https://www.jct.gov/publications.html?func=startdown&id=4506


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