

Planned Giving Tip
October 2005
The IRA Rollover Opportunity

This month's tip concerns a bill pending in Congress -- to be voted on possibly as soon as this week -- that would allow donors to transfer assets from an IRA to charity, either outright or through a charitable trust, or other life income instrument, tax-free. Many of our most committed Catholics in their 70s and 80s have a large portion of their asset base in IRAs. Typically they do not use these assets to make gifts to charity because such a gift would trigger an income tax. The problem with these assets is that if they are given to family members at death, the family is responsible for paying both the income tax and any possible estate taxes, which means that the family could receive as little as 35-40 cents on the dollar.

If the bill is passed, the IRA Rollover component will expire December 31, 2005, so the time to inform our people and professional advisors is NOW! The following is the memo I received from the National Committee on Planned Giving that gives more details.

SENATE FINANCE LEADERSHIP ANNOUNCES HURRICANE RELIEF PACKAGE

Package Includes Temporary IRA Charitable Rollover Provision

Senate Finance Committee Chairman Charles Grassley (R-IA) and Ranking Member Max Baucus (D-MT) have announced legislation to provide immediate tax relief to victims of Hurricane Katrina - including an IRA charitable rollover provision.

A copy of the bill can be viewed through this link:

http://www.ncpg.org/gov_relations/Hurricane%20Katrina%20Tax%20Package.pdf

The provision would exclude from gross income otherwise taxable IRA withdrawals for qualified charitable distributions. Under the provision, taxpayers age 70-1/2 and older would be allowed to roll over amounts from their IRA accounts directly to a qualified charitable organization on a tax-free basis. In addition, the provision would allow taxpayers age 59-1/2 and older to transfer IRA funds to a charitable remainder trust and give a remainder interest in the trust to charity without tax consequences. The IRA provision would be effective only through December 31, 2005.

This legislation is moving very quickly and may be considered this week in the Senate with action in the House soon after. Should this tax package be passed, NCPG believes this will add great momentum toward passage of a permanent IRA Charitable Rollover, such as H.R. 1607, the Public Good IRA Rollover Act.

H.R. 1607, as a result of NCPG's coalition work over the August recess, was able to pick up the following new bill co-sponsors: Rep. Peter Hoekstra (R-MI), Rep. John Linder (R-GA), Rep. Eric Cantor (R-VA), and Rep. Bob Beauprez (R-CO). The full list of co-sponsors can be found at: <http://thomas.loc.gov/cgi-bin/bdquery/z?d109:HR01607:@@N>

The Senate also introduced a companion bill to H.R.1607, S. 1366. NCPG members can visit the Government Watch Center for the latest updates on the Hurricane Tax Package, H.R.1607, and S.1366.

Keep planting seeds!