ENCOURAGING CHARITABLE GIFTS TO ARTS AND CULTURE
Supporting the Work of 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. If it were not for this exemption and the deductibility of private donations, orchestras and many other charitable organizations, would be unable to serve community needs.

ACTION NEEDED
We urge Congress to enact legislation to reinstate the IRA Charitable Rollover provision, allowing individuals to roll funds from their Individual Retirement Accounts to nonprofit organizations.

BACKGROUND
The United States supports a robust nonprofit community that provides many public services in fields ranging from education and health care to arts and culture. There are over one million charitable organizations across the nation that receive crucial – but indirect – government help through tax benefits that encourage charitable gifts by generous individuals.

The IRA Rollover provision, enacted as part of the Pension Reform Act of 2006, permitted donors age 70 ½ and older to make tax-free charitable gifts directly from their IRAs, up to an annual ceiling of $100,000. After its enactment, the IRA Rollover spurred millions of dollars in new charitable gifts. The provision expired in December of 2007. 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.

Identical bills have been introduced in the House and Senate to make the IRA Rollover provision permanent, remove the $100,000 cap, and reduce the qualifying age to 59 ½. The House bill, H.R. 1419, was introduced by Reps. Earl Pomeroy (D-ND) and Wally Herger (R-CA). The Senate bill, S. 819, was introduced by Sens. Byron Dorgan (D-ND) and Olympia Snowe (R-ME). President Bush’s FY 2009 budget calls for reinstating the IRA Rollover.
TALKING POINTS

• The IRA Rollover allows a donor who has reached the defined age to transfer IRA funds directly to a charity without incurring income tax on the transfer. This provision encourages new contributions from generous Americans 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, even if they do not need the income. With the charitable rollover, IRA owners can use the distribution and other money in their IRAs to support the nonprofit community.

• An increase in giving will expand charitable services and provide a net benefit to the public. America’s nonprofit arts organizations promote access to the arts, are important participants in education for children and adults, and are proven magnets for tourism and other business activity.

• 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. More than 30% of financial support for orchestras is derived from charitable giving. Without this support, public access to the arts would be greatly diminished.

• The IRA Charitable Rollover Act has broad bipartisan support. The President and key leaders in the House and Senate support reinstating this incentive for charitable giving.

• Before the IRA rollover expired, the public was just beginning to become aware of this important new giving incentive. The IRA rollover was in effect for just over a year before it expired. In that short amount of time, Americans made contributions, via the IRA Rollover, to nonprofits that benefit people every day. However, orchestras and other nonprofits report that relatively few donors were fully aware of this new giving incentive. The IRA Rollover must be reinstated as soon as possible to regain the momentum of increased charitable contributions.

www.americanorchestras.org

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.