Like thousands of other charities 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, most orchestras, like many other charitable organizations, would cease to exist.

ACTION NEEDED

We urge Congress to enact legislation to make the IRA Rollover permanent, lower the age restriction, and remove the arbitrary $100,000 cap.

BACKGROUND

Enlightened tax policy has been critically important to the development and sustained vitality of nonprofit arts and cultural organizations. There are over one million charitable organizations across the nation which 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, 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. Before enactment of the provision, individuals who made charitable gifts from their retirement accounts had to withdraw funds and treat them as taxable income, reducing the amount available for donation to charity. Since its enactment just one year ago, the IRA Rollover has spurred millions of dollars in new charitable gifts. Unless Congress takes action, the IRA rollover provision will expire on December 31, 2007.

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 2008 budget calls for permanent enactment of the IRA Rollover.

TALKING POINTS

• 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.

• 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, those who have accumulated more assets than they need can use the distribution and other money in their IRAs to support their favorite causes.

• The Public Good IRA Rollover Act of 2007 has broad bipartisan support.

• More time is needed to build public awareness of this important new giving incentive. While Americans have already made new contributions with the IRA Rollover to nonprofits that benefit people every day, orchestras and other nonprofits report that relatively few donors are aware of this new giving incentive. The IRA Rollover must be extended beyond December 31, 2007.