

116TH CONGRESS
1ST SESSION

S. 1257

To amend the Internal Revenue Code of 1986 to expand tax-free distributions from individual retirement accounts to include rollovers for charitable life-income plans for charitable purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 30, 2019

Mr. CRAMER (for himself and Ms. STABENOW) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to expand tax-free distributions from individual retirement accounts to include rollovers for charitable life-income plans for charitable purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Legacy IRA Act”.

1 **SEC. 2. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
2 **TIREMENT ACCOUNTS FOR CHARITABLE**
3 **PURPOSES.**

4 (a) IN GENERAL.—Paragraph (8) of section 408(d)
5 of the Internal Revenue Code of 1986 is amended to read
6 as follows:

7 “(8) DISTRIBUTIONS FOR CHARITABLE PUR-
8 POSES.—

9 “(A) IN GENERAL.—No amount shall be
10 includible in gross income by reason of a quali-
11 fied charitable distribution.

12 “(B) LIMITATIONS.—

13 “(i) IN GENERAL.—The aggregate
14 amount excluded from gross income under
15 subparagraph (A) with respect to all quali-
16 fied charitable distributions for a taxable
17 year shall not exceed \$400,000.

18 “(ii) SPLIT-INTEREST ENTITIES.—
19 The aggregate amount excluded from gross
20 income under subparagraph (A) for a tax-
21 able year with respect to distributions de-
22 scribed in subparagraph (C)(i)(I) shall not
23 exceed \$100,000.

24 “(C) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the
25 term ‘qualified charitable distribution’ means
26

1 any distribution from an individual retirement
2 account—

3 “(i) which is made directly by the
4 trustee—

5 “(I) to a specified charitable or-
6 ganization, or

7 “(II) to a split-interest entity,
8 and

9 “(ii) which is made on or after the
10 date on which the individual for whose
11 benefit the account is maintained has at-
12 tained—

13 “(I) in the case of any distribu-
14 tion described in clause (i)(I), age
15 70¹/₂, and

16 “(II) in the case of any distribu-
17 tion described in clause (i)(II), age
18 65.

19 “(D) SPECIAL RULES RELATING TO DIS-
20 TRIBUTIONS.—For purposes of this para-
21 graph—

22 “(i) DISTRIBUTION MUST BE OTHER-
23 WISE INCLUDIBLE.—A distribution from
24 an individual retirement account shall be
25 treated as a qualified charitable distribu-

1 tion only to the extent that the distribution
2 would be includible in gross income with-
3 out regard to subparagraph (A).

4 “(ii) LIMITATION ON INCOME INTER-
5 ESTS.—A distribution from an individual
6 retirement account to a split-interest entity
7 shall be treated as a qualified charitable
8 distribution only if—

9 “(I) no person holds an income
10 interest in the split-interest entity
11 other than the individual for whose
12 benefit such account is maintained,
13 the spouse of such individual, or both,
14 and

15 “(II) the income interest in the
16 split-interest entity is nonassignable.

17 “(iii) CONTRIBUTIONS MUST BE OTH-
18 ERWISE DEDUCTIBLE.—A distribution
19 from an individual retirement account to a
20 specified charitable organization shall be
21 treated as a qualified charitable distribu-
22 tion only if—

23 “(I) in the case of a distribution
24 to a charitable remainder annuity
25 trust or a charitable remainder uni-

1 trust, a deduction for the entire value
2 of the remainder interest in the dis-
3 tribution for the benefit of a specified
4 charitable organization would be al-
5 lowable under section 170 (determined
6 without regard to subsection (b)
7 thereof and this paragraph), and

8 “(II) in the case of a charitable
9 gift annuity, a deduction in an
10 amount equal to the amount of the
11 distribution reduced by the value of
12 the annuity described in section
13 501(m)(5)(B) would be allowable
14 under section 170 (determined with-
15 out regard to subsection (b) thereof
16 and this paragraph).

17 “(E) SPECIFIED CHARITABLE ORGANIZA-
18 TION.—For purposes of this paragraph, the
19 term ‘specified charitable organization’ means
20 an organization described in section
21 170(b)(1)(A) (other than any organization de-
22 scribed in section 509(a)(3) or any fund or ac-
23 count described in section 4966(d)(2)).

1 “(F) SPLIT-INTEREST ENTITY.—For pur-
2 poses of this paragraph, the term ‘split-interest
3 entity’ means—

4 “(i) a charitable remainder annuity
5 trust (as defined in section 664(d)(1)), but
6 only if such trust is funded exclusively by
7 qualified charitable distributions,

8 “(ii) a charitable remainder unitrust
9 (as defined in section 664(d)(2)), but only
10 if such unitrust is funded exclusively by
11 qualified charitable distributions, or

12 “(iii) a charitable gift annuity (as de-
13 fined in section 501(m)(5)), but only if
14 such annuity is funded exclusively by quali-
15 fied charitable distributions and com-
16 mences fixed payments of 5 percent or
17 greater not later than 1 year from the date
18 of funding.

19 “(G) SPECIAL RULES.—

20 “(i) CHARITABLE REMAINDER
21 TRUSTS.—Notwithstanding section 664(b),
22 distributions made from a trust described
23 in clause (i) or (ii) of subparagraph (F)
24 shall be treated as ordinary income in the
25 hands of the beneficiary to whom the an-

1 nuity described in section 664(d)(1)(A) or
2 the payment described in section
3 664(d)(2)(A) is paid.

4 “(ii) CHARITABLE GIFT ANNUITIES.—
5 Qualified charitable distributions made to
6 fund a charitable gift annuity shall not be
7 treated as an investment in the contract
8 for purposes of section 72(c).

9 “(iii) APPLICATION OF SECTION 72.—
10 Notwithstanding section 72, in determining
11 the extent to which a distribution is a
12 qualified charitable distribution, the entire
13 amount of the distribution shall be treated
14 as includible in gross income to the extent
15 that such amount does not exceed the ag-
16 gregate amount which would have been so
17 includible if all amounts in all individual
18 retirement plans of the individual were dis-
19 tributed during the taxable year and all
20 such plans were treated as 1 contract for
21 purposes of determining under section 72
22 the aggregate amount which would have
23 been so includible. Proper adjustments
24 shall be made in applying section 72 to

1 other distributions in such taxable year
2 and subsequent taxable years.

3 “(iv) DETERMINING DEDUCTION
4 UNDER SECTION 170.—Qualified charitable
5 distributions shall not be taken into ac-
6 count in determining the deduction under
7 section 170.

8 “(v) REQUIRED MINIMUM DISTRIBUTIONS.—The entire amount of a qualified
9 charitable distribution shall be taken into
10 account for purposes of section 401(a)(9).

11 “(H) TERMINATION WITH RESPECT TO
12 SPLIT-INTEREST ENTITIES.—Subparagraph (A)
13 shall not apply to a distribution to a split-inter-
14 est entity in taxable years beginning after the
15 date which is 4 years after the date of the en-
16 actment of the Legacy IRA Act.”

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18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to distributions made in taxable
20 years ending after the date of the enactment of this Act.

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