

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.

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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

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## 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 70½, 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.”

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