Pittsburgh Planned Giving Council

Legislative Update

By Jack Owen, Esq.

JANUARY 2020

At the PPGC meeting on January 14, 2020, I reported on the following items:

1. Santa Claus visited nonprofit organizations at the end of last year. With President Trump's signing of the federal government spending bill on December 20, 2020, the legislation repealed the Internal Revenue Code provision requiring transportation fringe benefits such as parking and transit passes to employees to be included in unrelated business taxable income. Repeal of the fringe benefits tax is retroactive for taxes that nonprofits have paid or accrued after December 31, 2017. Nonprofit organizations that paid the tax may apply for a refund, although more information is expected from IRS on the refund process.

Also, the spending bill included a modification to the excise tax applicable to the net investment income of private foundations. The legislation sets a flat rate of 1.39%, effective for tax years beginning after December 20, 2019.

1. Also at the end of last year, the Setting Every Community Up for Retirement Enhancement (Secure Act) was passed as part of a large appropriations bill. The Secure Act includes many provisions designed to facilitate and enhance savings for retirement. The changes were passed by a bipartisan vote in the Senate of 71 to 23 and are helpful for workers who desire to save for retirement. Some of the provisions are helpful to nonprofit organizations and some may not be particularly helpful. Some of the provisions passed which affect nonprofits include:
2. Traditional IRA Contributions. Individuals over 70 1/2 with earned income may continue to make contributions each year. Previously, only Roth IRAs could be funded after age 70 ½.
3. Required Minimum Distribution Age (RMDs). For individuals who turn age 70 1/2 after December 31, 2019, the RMD age is increased to age 72. Those persons who reached age 70 1/2 during 2019 must still start their RMDs under previous law.
4. Stretch IRA Distributions Limited. With the new legislation, inherited IRA s for non-spouse beneficiaries may no longer be distributed over the beneficiaries’ lifetimes. Now, IRA and other qualified plan distributions must be paid out over a maximum term of 10 years. There are exceptions for recipients with disabilities, minors, spouses and individuals who are within 10 years of the age of the IRA owner.

Provisions of the Secure Act generally take effect on January 1, 2020. While the age for RMDs increases to age 72, the qualified charitable rollover provisions remain at age 70 1/2. IRA owners over age 70 1/2 may continue to transfer up to $100,000 each year through a qualified charitable rollover to qualified charities. This transfer may fulfill all are part of an RMD.

1. Unfortunately, the Legacy IRA bill, which allows seniors to make tax-free transfers from IRAs to life-income charitable gifts, was not passed by Congress. Attached is the November 18, 2019 letter sent to Rep. Mike Kelly and a Petition which many PPGC members have signed. If you would like to sign the Petition, please do so and return it to Gordon Fraser (gcf5@pitt.edu) or me. Feel free to contact Rep. Kelly or any other members of Congress on your own.

Please do not hesitate to contact any PPGC board member, or Jack Owen, with any questions.