

CHARITY Act of 2017

Summary of Provisions

Section 1 – Short Title: *Charities Helping Americans Regularly Throughout the Year (CHARITY) Act of 2017.*

Section 2 – Sense of the Senate: This section states that encouraging charitable giving should be a goal of tax reform and that Congress should ensure that the value and scope of the deduction for charitable contributions is not diminished during a comprehensive rewrite of the tax code.

Section 3 – Standard Mileage Rate: This section would authorize the Treasury Department to align the simplified standard-mileage rate, which applies for purposes of deducting the use of a personal vehicle for volunteer charitable services, with the mileage rate that applies to the deduction for medical and moving expenses. The IRS has the authority to adjust the mileage rates applicable to business and medical/moving deductions so they can keep pace with inflation. However, no authority exists under current law to adjust the mileage rate for charitable activities, and the mileage rate has remained unchanged since 1997.

Section 4 – Modification of Substantiation Requirements for Charitable Contributions: Under current law, taxpayers must substantiate deductions for charitable contributions of \$250 or more with a contemporaneous written receipt by the tax-exempt organization that accepts the contribution. This section would eliminate an exemption from the general rule for contributions that are reported on a return filed by the tax-exempt organization. The provision would address taxpayer concerns about improper disclosure of donor information and prevent improper use of the exception to circumvent the requirement for a contemporaneous written receipt.

Section 5 – Require Non-Profits to File Form 990 Electronically: Current law requires only the smallest and largest tax-exempt organizations to file their annual returns electronically. This section would require any tax-exempt organization currently required to file Form 990 to do so in electronic form. This section also requires the IRS to make the information on Form 990s available to the public in a machine-readable format. The provision would increase transparency and accuracy while reducing opportunities for tax identity theft and fraud. This section provides authority for the IRS to phase in the electronic filing requirement for smaller tax-exempt organizations.

Section 6 – Donor Advised Funds IRA Rollover Eligibility and Transparency: This section would expand the provision under current law that permits an owner of an individual retirement account (IRA), who is at least 70½ years old, to exclude from his or her gross income up to \$100,000 per year in distributions that are made directly from the owner's IRA to certain public charities. This section would permit distributions also to be made to donor-advised funds (DAFs). In addition, it would modify the disclosures that tax-exempt organizations that sponsor DAFs must make each year so they include the number of DAFs that had been in existence for 36 months at the end of the tax year as well as the number of those DAFs that made grants during that same 36-month period. Additionally, the DAF-sponsoring organization would be required to indicate whether or not it has a policy with respect to DAFs that become inactive,

dormant, or fail to make distributions, describe its policy for responding to such funds, and indicate whether or not the sponsoring organization monitors and enforces that policy. Permitting DAFs to qualify for IRA rollovers would help community foundations, and other public charities that maintain DAFs, further their charitable mission in a transparent manner.

Section 7 – Private Foundation Excise Tax Simplification: This section would simplify the calculation of the excise tax that applies to the investment income of private foundations. The simplified approach would provide greater certainty to private foundations that currently are required to calculate a tax rate based on charitable distributions over the previous five years. Specifically, the provision would impose a 1-percent excise tax on investment income, but would not require foundations to expend time and resources to calculate the payout rates of previous years.

Section 8 – Philanthropic Enterprise Act: This section would create a limited exception to the excess-business-holdings tax rules for private foundations that own certain philanthropic businesses, which are otherwise subject to income tax on their earnings. Specifically, the tax would not apply if the foundation meets three requirements: (1) the private foundation is the exclusive owner of the philanthropic business; (2) all profits of the philanthropic business, except for reasonable amounts reinvested into the business, must be distributed to the private foundation; and (3) the operation of the private foundation and the philanthropic business must be independent. This provision would create a new model for private foundations to own certain taxable businesses, which dedicate their earnings to the charitable purposes of the private foundations, without incurring a tax penalty.