



# TERRY KATSMAS

STATE REPRESENTATIVE • 26<sup>th</sup> ASSEMBLY DISTRICT

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**Date:** April 25th, 2017  
**To:** Senate Committee on Revenue, Financial Institutions and Rural Issues  
**From:** Representative Terry Katsma  
**Re:** Senate Bill 121: Individual Retirement Account (IRA) charitable rollovers

Dear Chairman Marklein and committee members,

Thank you for convening a public hearing on Senate Bill (SB) 121, a bill that aims to simplify tax filing and encourage charitable giving for certain owners of IRA retirement investments.

Typically, when the owner of an IRA retirement account reaches age 70½, that person is required to begin withdrawing money from the account each year. This is called a “required minimum distribution.”

Some retirees prefer to donate some or all of this money to charity. At the federal level, since 2006, Congress has allowed these taxpayers—IRA retirement account owners who are age 70½ or older—to transfer up to \$100,000 per year directly from IRA accounts to qualifying charitable organizations. This way, the taxpayer does not need to report the distribution as taxable income and is not required to itemize deductions on his or her federal income tax return to “benefit” from making the gift. (Prior to 2006, taxpayers who wished to donate funds to charity from their IRA accounts first had to report the amount as taxable income, make the donation and then, if they wished, itemize a charitable deduction for the amount gifted.) Congress made the federal IRA charitable rollover provision permanent in late 2015, and it has proved very popular with taxpayers and has been very beneficial for charities.

However, no comparable rollover mechanism yet exists in Wisconsin state tax law. For state income tax purposes, a person who makes use of the federal charitable rollover provision still has to report the money as taxable income and then itemize the charitable gift. In some situations, Wisconsin’s requirement can result in state income tax liability and, regardless of liability, tax filing is complicated by the existence of two different rules.

SB 121 adopts the federal IRA charitable rollover provision into Wisconsin law. To qualify for tax-free treatment, the money must come from a traditional IRA or a Roth IRA and must be paid directly to a public charity that is not a supporting organization, donor-advised fund or private foundation. Other retirement plans such as 401(k) plans, 403(b) plans, pensions, etc. do not qualify for tax-free treatment. Donors are not allowed to receive anything of value in return for their charitable contributions; written receipts from the charities are required.

Thank you for your time and your consideration of SB 121.



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# HOWARD MARKLEIN

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STATE SENATOR • 17<sup>TH</sup> SENATE DISTRICT

**April 25, 2017**

**Senate Committee on Revenue, Financial Institutions & Rural Issues  
Testimony on Senate Bill (SB) 121**

Good afternoon!

Thank you committee members for the opportunity to testify in favor of Senate Bill 121 (SB 121), which adopts, for state income and franchise tax purposes, a provision of the Internal Revenue Code allowing an individual to make a tax-free distribution from his or her individual retirement account directly to a qualified charitable organization.

It is confusing for taxpayers when the federal government has one set of rules for preparing your tax return, and the state rules differ. Federal law permits a person to roll over up to \$100,000 per year directly from the IRA account to a qualifying charitable organization—without having to report the money as income for federal tax purposes and without itemizing deductions.

However, no such rollover mechanism exists in Wisconsin. On state income tax returns, a person may have to report the money as taxable income and then itemize the charitable gift. In some situations, Wisconsin's requirement can result in state income tax liability and, regardless of liability, tax filing is complicated by the existence of two different rules.

There are restrictions on what constitutes a "qualifying charitable distribution". The donation must be made from a traditional IRA or a Roth IRA. The transfer must be directed from the IRA trustee to the charitable organization with no intervening possession or ownership by the IRA owner, and only donations made after the IRA owner has reached age 70½ qualify.

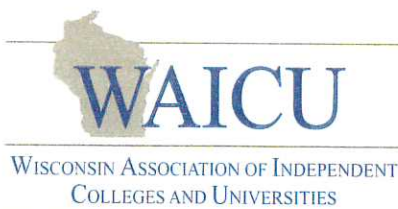
Under the standard IRA distribution rules, if a donor takes \$100,000 out of an IRA and gives it to a charity, the \$100,000 first has to be included in gross income. Then the donor gets a charitable contribution itemized deduction. The possible problem is that the donor's \$100,000 contribution deduction will run into the 50%-of-adjusted-gross-income (AGI) limitation.

As a result, it is possible that the donor will not be able to deduct the full \$100,000 in the year of contribution. That will force the donor to pay income tax on the difference between the \$100,000 and the deductible amount. Carryover provisions allow the excess contributions to be carried forward for five years. But still the donor would have to pay more income tax than would otherwise be the case and take his or her chances of having enough taxable income to be able to recover the excess contribution in future years.

A charitable IRA distribution completely avoids that issue. By excluding the \$100,000 from gross income, in effect the donor gets a \$100,000 charitable contribution deduction—since the \$100,000 isn't included in income, it is, effectively, deducted.

Thank you again for allowing me the opportunity to testify in support of this bill, and I would welcome any questions.

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BELLIN COLLEGE  
BELOIT COLLEGE  
CARDINAL STRITCH UNIVERSITY  
CARROLL UNIVERSITY  
CARTHAGE COLLEGE  
COLUMBIA COLLEGE OF NURSING  
CONCORDIA UNIVERSITY  
EDGEWOOD COLLEGE  
LAKELAND UNIVERSITY  
LAWRENCE UNIVERSITY  
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WISCONSIN'S PRIVATE, NONPROFIT COLLEGES AND UNIVERSITIES  
WORKING TOGETHER FOR EDUCATIONAL OPPORTUNITY

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MILWAUKEE INSTITUTE OF ART & DESIGN  
MILWAUKEE SCHOOL OF ENGINEERING  
MOUNT MARY UNIVERSITY  
NASHOTAH HOUSE  
NORTHLAND COLLEGE  
RIPON COLLEGE  
ST. NORBERT COLLEGE  
SILVER LAKE COLLEGE  
VITERBO UNIVERSITY  
WISCONSIN LUTHERAN COLLEGE

Date: Tuesday, April 25, 2017

To: Members, Senate Committee on Revenue, Financial institutions and Rural Issues

From: Rolf Wegenke, Ph.D. President, WAICU

Subject: Support for Senate Bill 121, Individual Retirement Account (IRA) charitable rollovers

The Wisconsin Association of Independent Colleges and Universities (WAICU) is the official organization of the twenty-four independent private, nonprofit institutions of higher learning in Wisconsin and their almost 58,000 students – over 60 percent of whom are from Wisconsin.

Private colleges and universities receive no direct operating support from taxpayers and rely strongly on private philanthropy to grow student financial aid and moderate tuition increases. Without significant charitable contributions, WAICU members could not maintain their core missions. WAICU's priority is expanding educational opportunity, particularly for low income students. The IRA charitable rollover is a vital fundraising tool for private colleges and universities.

WAICU long supported efforts in Congress to make permanent the IRA charitable rollover, and we support this legislation to adopt the federal IRA charitable rollover provision into Wisconsin law.



Testimony of Michelle Gran on Behalf of Marquette University  
In Support of Senate Bill 121  
April 25, 2017

Good afternoon, Chairman Marklein and Members of the Committee. My name is Michelle Gran, and I serve as the Director of Gift Agreements at Marquette University. I am joined by my colleague, Mary Czech-Mrochinski, of the Office of Public Affairs. Thank you for allowing me to testify today in favor of Senate Bill 121.

The federal government has made the Charitable IRA permanent allowing an individual who is 70 ½ or older to roll over up to \$100,000 from an individual retirement account to a qualified charitable organization, such as Marquette University. This type of gift counts against an individual's required minimum distribution for the year, as well as reducing their taxable income, even if they do not itemize deductions. Such donations are incredibly helpful to qualified charitable organizations while at the same time providing the donor with a tax benefit. Since 2011, over 150 individuals from Wisconsin have used the Charitable IRA provision to give to Marquette. Next year, Marquette will be providing over \$140 million in institutional financial aid to its students and gifts, such as those provided through the Charitable IRA rollover, help Marquette provide support the mission of educating students.

On behalf of Marquette University, I would respectfully request your support for Senate Bill 121, which adopts, for state income and franchise purposes, the federal provision allowing an individual to make tax-free distributions to a qualified charitable organization.

Thank you again for allowing me to testify. I would be happy to answer any questions at this time.



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FOR HEALTHY LIVING  
FOR SOCIAL RESPONSIBILITY**

TO: Members of the Committee on Revenue, Financial Institutions and Rural Issues  
FROM: Steve Elliott, Executive Director  
DATE: April 25, 2017  
SUBJECT: Support for SB 121

Dear Chairman Marklein and members of the Committee:

The Wisconsin Alliance of YMCAs and our 31 member Ys support SB 121. By mirroring federal law, SB 121 will create consistent environments for our members and donors.

The services and programs that our Ys provide rely upon the charitable contributions of our donors. Last year Ys operating in Wisconsin received over \$44 Million in donations or other charitable contributions that allowed our associations to provide services to nearly 500,000 Wisconsinites. By providing more incentivized avenues for giving, we hope that we can continue to grow and extend our reach.

Charitable organizations like the Y are able to leverage the dollars that we are fortunate to receive through the services and government funding by working with individuals, businesses, and foundations. The changes to tax law created by SB 121 will provide our individual donors with another vehicle for tax-free charitable giving.

We appreciate your consideration of this measure.

**WISCONSIN ALLIANCE OF YMCAs**  
711 Cottage Grove Road  
Madison, WI 53716  
608 664 9622  
ymcawi.org



FOR YOUTH DEVELOPMENT®  
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# MAKING A DIFFERENCE IN OUR COMMUNITIES

## 2016 Statewide Community Benefit Report WISCONSIN ALLIANCE OF YMCAS

### OUR CAUSE DEFINES WHO WE ARE

The YMCAs of Wisconsin understand that lasting personal and social change comes about when we all work together. We are driven by our cause to strengthen communities statewide. Every day, we work side-by-side with our neighbors to ensure that everyone, regardless of age, income, or background has the opportunity to learn, grow, and thrive.

### OUR IMPACT IS FELT EVERY DAY

#### The Reach of the Y

**495,922** Wisconsinites belong to the Y. From the Mississippi River to the shores of Lake Michigan, the Y offers programs and services to meet the needs of our communities.

**234,585** children under the age of 18 are members of the Y.

#### We Give Back

Wisconsin YMCAs provide over **\$9.6** million in direct financial assistance to those in need. These resources help ensure that, regardless of income, children and families have opportunities to be active and stay healthy.

#### Support

As a charitable organization, the Y received **\$44,507,208** in contributions from donors and foundations, and **\$2,863,209** in support from the government.

#### Stronger Together

We have the community's trust to convene, partner, and support collaborations with schools, government, faith-based organizations, businesses, and others. In fact, Wisconsin YMCAs reported **1,048** collaborations across Wisconsin communities.

## WHY THE Y IS DIFFERENT THE Y IS FOR...

Every day our impact is felt when an individual makes a healthy choice, when a mentor inspires a child, and when a community comes together for the common good.

### Youth Development

YMCAs provide children under age six with critical early learning and school age kids with safe, dependable places to grow before and after school. Our early childhood and after school programs are crucial supports for working parents and ensure that our children are classroom ready.



The YMCAs of Wisconsin support thousands of children in our school age programs, offering families the peace of mind they need.

### Healthy Living

The Y provides a supportive environment for families of all backgrounds, ages, and abilities where people can meet their health and well-being goals through exercise, nutrition, and chronic disease programs like our Diabetes Prevention Program, **LIVESTRONG** and youth swim safe programs.



Our Ys offer programs to youth and adults that empower them to become their best selves by offering instruction and support.

### Social Responsibility

Part of the Y mission is to give back to our communities and help everyone, regardless of income, be a member of the YMCA family. From the volunteers who give their time and energy to support our mission to the amount of scholarship we give to families who cannot afford a membership, we strive to fulfill our responsibility to our communities every day.



At the Y, we believe in membership for all. That is why we provide financial assistance to community members in need.



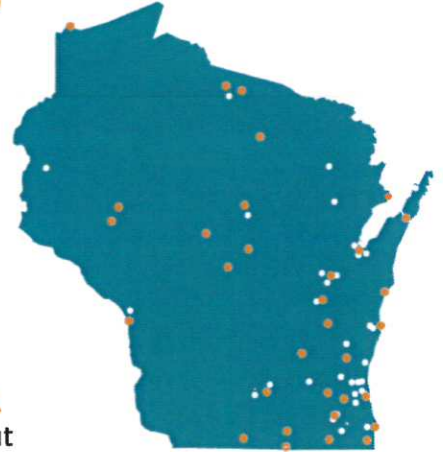
# OUR STRENGTH IS IN COMMUNITY

**THE Y IS UNIQUE.** With **31 ASSOCIATIONS** signifying **69 YMCA LOCATIONS** throughout Wisconsin, we have the presence and partnerships to not just promise but deliver positive change.

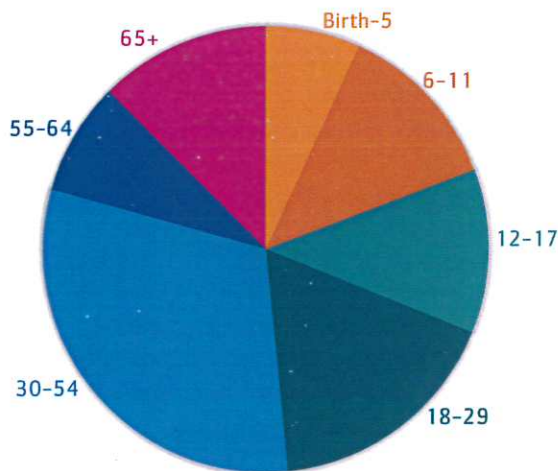
**THE Y IS COMMUNITY CENTERED.** For nearly **150 YEARS**, we have been listening and responding to the changing needs of our communities.

**THE Y BRINGS PEOPLE TOGETHER.** We served more than **495,922 PEOPLE** and **131,095 PROGRAM PARTICIPANTS** in diverse communities throughout the state. From infants to active older adults, we connect people of all ages and backgrounds to bridge the gaps in community need.

**THE Y NURTURES POTENTIAL.** We believe that everyone should have the opportunity to learn, grow, and thrive. We provided **\$9,668,920 IN FINANCIAL ASSISTANCE**, making programs affordable and/or possible for people throughout Wisconsin.



Wisconsin YMCA constituents by age group



**THE Y HAS LOCAL PRESENCE AND GLOBAL REACH.** We mobilize our local communities to effect lasting and meaningful change by education and training through our innovative programs.

**THE Y BUILDS PEOPLE.** Collectively, our staff, along with **20,622 VOLUNTEERS**, are united by a deep commitment to strengthening our communities.



## CONTACT US

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