

JANUARY 5, 2016

## PATH Act Provides Certainty Regarding Gifts to 501(c)(4), 501(c)(5) and 501(c)(6) Tax-Exempt Organizations and Makes Permanent Certain Tax “Extenders”

On December 18, 2015, President Obama signed into law the Protecting Americans from Tax Hikes Act of 2015 (the “PATH Act”). The PATH Act contains several provisions of note for tax-exempt organizations. This post focuses on two: (1) gift tax consequences of contributions to 501(c)(4), (c)(5), and (c)(6) organizations, and (2) permanent enactment of certain tax “extenders” intended to incentivize charitable giving.

### Contributions to 501(c)(4), (c)(5), and (c)(6) Organizations Exempt from Federal Gift Tax.

The PATH Act has finally cleared up the uncertainty that has lingered over the last few years regarding whether contributions to organizations exempt from income tax under IRC Sections 501(c)(4), (c)(5), and (c)(6) were subject to federal gift tax. (We had previously [written about this](#) uncertainty and issued a [client alert](#).) The PATH Act provides that contributions (of cash or property) to these organizations are not subject to federal gift tax. However, the newfound certainty is only available for gifts made after December 18, 2015.

### Tax Extenders Made Permanent.

The PATH Act enacts a number of tax provisions intended to incentivize charitable giving, including:

- The ability to make tax-free distributions from individual retirement plans (IRAs) directly to tax-exempt charities (the so-called “IRA Rollover”). These rollovers are subject to certain limitations, such as a \$100,000 per year cap, a minimum participant age of 70-1/2, and the recipient may not be a private foundation, supporting organization, or a donor-advised fund.
- Increased charitable deduction limits for contributions by individuals or corporations of real property interests for conservation purposes (the adjusted gross income limit for appreciated property gifts is increased to 50% – from 30% – and the carryforward limit is extended from five years to 15 years).

The PATH Act also includes several other charitable giving provisions, slightly modified from their previous versions. Anyone intending to take advantage of the PATH Act’s permanent tax extenders should consult his or her tax advisor.

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Nonprofit Law Matters looks at legal issues in the nonprofit and tax-exempt organizations world. Written by the attorneys and paralegals of Adler & Colvin, it provides updates and analysis regarding philanthropy, charity, and other exempt organization issues.

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