

Charitable Giving Initiative Under Consideration by Massachusetts Legislature

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February 14, 2012

A proposed law under consideration in Massachusetts may make it easier for Massachusetts residents to financially support their favorite charity. For charitable organizations that have seen declining levels of donations over the past few years, the proposed law might create a new avenue through which needed funds could be made available.

On February 7, 2012, the Massachusetts Joint Committee on Financial Services heard testimony on H.3444 – a bill that would permit Massachusetts residents to loan a portion of their retirement accounts to charitable organizations. The bill has potential implications for charitable organizations as well as life insurance companies operating in the Commonwealth.

The bill, introduced by Representative William Pignatelli (D-Lenox), is intended to encourage charitable giving, and would permit Massachusetts residents to loan money from a personal retirement account to a charitable organization. In turn, the charitable organization would issue the donor a promissory note in the amount of the donation. The charitable organization would then be required to use a portion of the donation to obtain a life insurance policy on behalf of the individual making the loan, with the estate of that individual designated as the beneficiary of the policy. The charitable organization could then put the balance of the loan toward its mission. Upon the death of the individual who made the loan, his or her estate would recoup the full balance of the donation through payout of the life insurance policy.

At the hearing before the Joint Committee on Financial Services, Representative Pignatelli touted the bill as providing a means of boosting charitable support by tapping into an otherwise idle source of funds. Though no one from the life insurance industry spoke for or against the bill, Luke Dillon, the president of the Life Insurance Association of Massachusetts, attended the hearing and reportedly indicated afterward that his organization has not yet taken a position and is still considering the implications of the legislation.

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