

# The IRA Charitable Rollover

*A Simple and Smart Way to Give*



Congress first made the IRA Charitable Rollover available in 2006, but only for a limited time. Fortunately, Congress made this option permanent in 2015.

With this gift option, eligible donors can order a distribution from an IRA directly to our organization. The money directed to charity is excluded from the donor's income for federal tax purposes, and the amount counts toward the donor's required minimum distribution for that year.

Our donors really appreciate the simplicity of the IRA Charitable Rollover. Read on for details about this unique way of giving.

## **The Basic Idea**

To understand the possible advantages the IRA Charitable Rollover affords, it helps to know the basics:

- An Individual Retirement Account (IRA) is a tax-deferred retirement account.

- Contributions to a traditional IRA that meet all income/contribution limits are tax deductible.
- Appreciation and earnings in the IRA are not taxed.
- Distributions are typically taxed as ordinary income (a marginal tax rate as high as 39.6% in 2016).

Before the arrival of the IRA Charitable Rollover, the only way to make a lifetime charitable gift using IRA assets was to make a withdrawal, pay the tax, then send it to a qualified charity. Hopefully, the charitable deduction would successfully offset the income tax due on the withdrawal from the IRA account.

With the IRA Charitable Rollover, there is only one step:

**Instruct the IRA custodian to transfer a specific dollar amount directly to a charity.**

It is that simple. The IRA owner does not include the IRA distribution as income. The charity immediately benefits from the gift—a simple transfer with an instant impact!

### The Basic Criteria

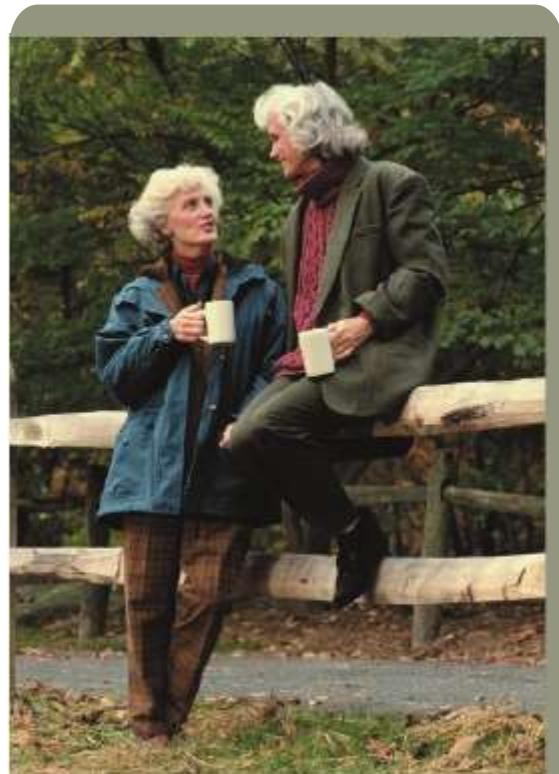
Here are the highlights of the IRA Charitable Rollover:

- Donors must be 70½ or older on the date of the distribution in order to participate.
- Donors direct the distribution to a qualified charity like us.
- Donors may exclude up to \$100,000 with the IRA qualified charitable distribution.
- The amount directed to charity counts toward the IRA's required minimum distribution (the amount required by law to be taken out of a qualified retirement plan account every year).
- The IRA trustee reports the qualified charitable distribution on a 1099-R form, and the donor lists it as non-taxable on the federal 1040 income tax return.

### Some Limitations

The IRA Charitable Rollover offers important benefits to donors, but there are some limitations:

- Donors may not take an income tax charitable deduction for the distribution.
- Donors may not direct the tax-free distribution to fund a gift annuity or a charitable remainder trust.
- Donors may not direct the tax-free distribution in lieu of entertainment opportunities provided by the charity.
- Donors may not direct the tax-free distribution to a donor advised fund or a Sec. 509(a)(3) supporting organization.
- Donors direct the distribution from an IRA only (a traditional IRA or a Roth IRA, though there may be less incentive to use a Roth IRA since distributions are generally tax free). Distributions made from a 401(k), 403(b), or 457 plan, etc. do not qualify.
- Donors must direct a distribution that would otherwise be considered as taxable.

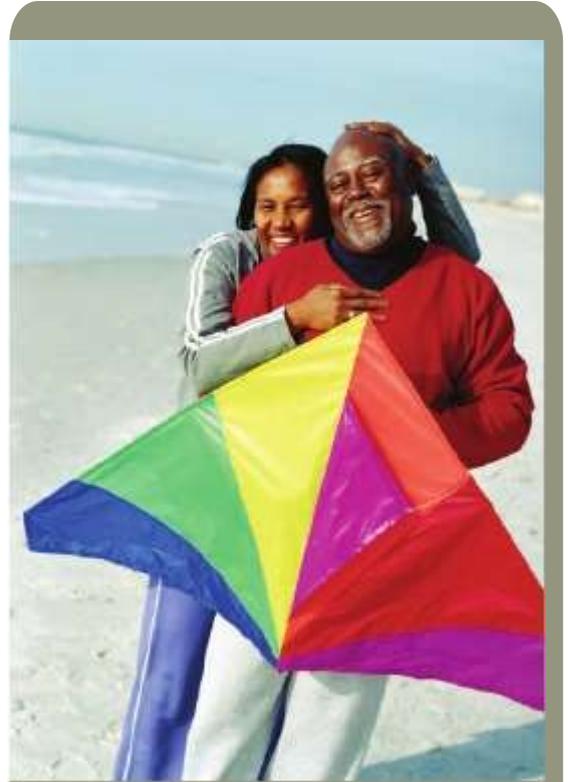


## The Next Step

Consult your financial and tax advisors to see whether the IRA Charitable Rollover is right for you. If it is, contact the trustee of your IRA account and request the qualified charitable distribution. IRA custodians may provide a form to complete the transfer, or may require you to send a written request.

Also, be sure to let us know to expect a distribution from your IRA. Because the qualified charitable distribution requires substantiation just like a normal gift, we want to send you an acknowledgment that we have received the funds.

To learn more about how the IRA Charitable Rollover fits into your plans, talk to your financial and tax advisors or contact our office. We are glad to provide more information or answer any questions regarding this exciting option for charitable giving.



*Your community foundation received accreditation from the National Standards for U.S. Community Foundations.*

*In partnership with the Community Foundation Committee of the Indiana Philanthropy Alliance, your community foundation is pleased to provide this information to you.*

***Tax information provided herein is not intended as tax or legal advice and cannot be relied on to avoid statutory penalties. Always check with your tax and financial advisors before implementing any gift.***

## Community Foundation of Pulaski County

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