

Charitable Gifts from your IRA

On August 11, 2006, President Bush signed into law the Pension Protection Act of 2006. This Act contains an IRA Charitable Rollover provision, which allows individuals who are at least 70-1/2 to make a tax-free distribution of up to \$100,000 annually from an IRA to charity, subject to certain qualifications.

- The provision applies only to transfers made before December 31, 2007. Thus, this opportunity is available for a limited time.
- Donor must be age 70-1/2 or older at the time of the distribution to charity.
- Any qualified charitable distribution made will "count" towards the individual's required minimum distribution. The required minimum distribution is the amount an individual 70 1/2 years of age must withdraw annually. Because these withdrawals are mandatory, many times people are forced to take a distribution from their IRA when they don't actually need it.
- Limited to \$100,000 per taxpayer, per year. A married couple can donate up to \$200,000 provided each spouse owns at least one IRA and can each make a qualified charitable distribution of \$100,000 from their plans.
- Gift must be outright. The contributions cannot be used to fund gift annuities or charitable remainder unitrusts.
- Applies only to traditional IRAs and Roth IRAs (not other forms of retirement plans such as 401(k), 403(b), etc.). Also note, that making a gift from a Roth IRA is ill-advised in most instances as Roth distributions are typically not taxed.
- Gifts cannot be made to donor advised funds and supporting organizations, including most private foundations.
- Gift must be made directly from IRA to charity. The check must come directly from the plan administrator to the charity. The plan administrator CANNOT make the distribution to the donor, who in turn provides a personal check to the charity.

This is a unique opportunity because it is a tax exclusion, which means the donor does not have to report the IRA withdrawal as income on his or her tax return. Because no income will be reported on the donor's tax return, the donor will not receive a charitable income tax deduction for the contribution. This also means that distributions are not subject to deduction limitation rules that might otherwise reduce the tax benefits (as was the case with the Katrina Act charitable provision). In addition, an IRA charitable rollover will not affect a donor's other charitable gifts to which the deduction limitations apply.

As always, United Way recommends that you seek the advice of your tax/or legal counsel before deciding to take any action.