

IRA Charitable Rollover

Important Update

On December 18, 2015, President Obama signed the “Protecting Americans From Tax Hikes Act of 2015” into law. This law includes a permanent extension of the IRA Charitable Rollover.

As in years past, the IRA Charitable Rollover allows individuals 70 ½ and older to donate up to \$100,000 in IRA assets to a qualified charitable organization. The Charitable IRA Rollover is tax-free and not included in a donor’s adjusted gross income.

Explanation of Provision

Individuals may make gifts to charity from traditional and Roth IRA accounts without any federal tax liability as long as the gifts are “qualified charitable distributions.” No charitable deduction may be taken by the owner, but distributions will qualify for all or part of an IRA owner’s Required Minimum Distribution.

Requirements for “qualified charitable distributions”...

- Gifts are tax-free up to \$100,000 per year
- Gifts will qualify for all or part of your Required Minimum Distribution
- This provision is now permanent
- IRA holder must be age 70 1/2 or older at the time of gift
- Gifts must be outright gifts to a charitable organization
- Distributions to donor-advised funds or support organizations are not permissible
- Distributions may only be made from traditional IRAs or Roth IRAs

Frequently Asked Questions

Can I make a charitable gift from my 401(k) or 403(b) plan?

No, the charitable gift is restricted to distributions from traditional IRAs and Roth IRAs. Distributions from 401(k), 403(b), SEP, KEOGH and Simple IRA accounts do not qualify. However, it may be possible to rollover your retirement account into a traditional IRA in order to make a qualified distribution. Talk with your financial planner or IRA administrator about your rollover options.

Can I use my IRA to fund a Charitable Gift Annuity or Charitable Remainder Trust?

No, despite efforts of the charitable community, this provision does not allow gifts from an IRA to fund a Charitable Gift Annuity or Charitable Remainder Trust. Qualified charitable distributions are limited to outright gifts.

Will my charitable distribution qualify for my Required Minimum Distribution (RMD)?

Yes, your gift may be calculated as part of your RMD. This provision is especially helpful to those individuals who are required to take IRA withdrawals when they are not necessarily needed as additional income.

Do I receive a deduction for my gift?

No, because the IRA assets haven't been taxed, no deduction is allowed. To receive a deduction, you would be required to treat the distribution as taxable income first, before taking the deduction. In most cases, it is better not to take the distribution as income.

Who benefits most from this Law?

There are several groups of individuals who will benefit from the charitable rollover.

1. People who normally don't itemize their deductions can avoid taking the IRA distribution as income and send it directly to charity. This may reduce both their federal and state income tax liability.
2. Individuals whose IRA distributions increase their income to a level where 85% of their social security is taxed may want to make a qualified charitable distribution to reduce their income.
3. Individuals who give over 50% of their income to charity will not be constrained by the 30% and 50% limitations on charitable deductions on gifts from their IRAs.
4. Individuals in high income brackets who have large IRAs may have substantial income tax savings not otherwise available because of charitable deduction limitations. A qualified charitable distribution up to \$100,000 may have the triple benefit of reducing their taxable income, reducing the value in their IRA, and meeting their Required Minimum Distribution.

This Fact Sheet is intended for educational purposes and is not professional tax or legal advice. Consult a financial professional or tax advisor about your specific situation.



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