

Charitable Gifts Through Your IRA

The IRA Charitable Rollover is back for 2013, but you must act fast as it will expire **December 31st**. This creative giving strategy allows members and friends of the Military Chaplains Association age 70½ and older to transfer (or "rollover") up to \$100,000 from their IRAs directly to the MCA, without having to recognize the transfer as income.

The *American Taxpayer Relief Act of 2012* is federal law. Among other provisions, the act extends the IRA Charitable Rollover for 2013. The extension will allow individuals 70½ and older to donate up to \$100,000 from their IRAs to the Military Chaplains Association tax-free. Donors do not receive an income tax charitable deduction. This provision allows donors to transfer (or "rollover") money from their IRAs directly to the MCA, without having to recognize the transfer as income. Taxpayers must be age 70½ or older and there is a \$100,000 yearly limit. Donors should consult their tax advisors about their specific situations.

The following will supply answers to some of the important questions surrounding the IRA Charitable Rollover.

The IRA Charitable Rollover has been extended, applying to distributions made throughout the 2013 tax year.

- 1) *Who qualifies?* Individuals who are at least age 70½ at the time of the contribution.
- 2) *How much can I transfer?* Up to \$100,000 in 2013.
- 3) *From what accounts can I make transfers?* Transfers must come from IRAs directly to charity. If you have retirement assets in a 401(k), 403(b), etc., you must first roll those assets into an IRA, and then can make the transfer from the IRA directly to charity.
- 4) *To what charities can I make gifts?* Tax exempt organizations to which deductible contributions can be made. (The MCA qualifies.)
- 5) *Can I use the transfers to fund life-income gifts like charitable remainder trusts or charitable gift annuities?* No, these are not eligible.
- 6) *Can I make a transfer to my donor advised fund or supporting organization?* No, these are not eligible.
- 7) *What are the tax implications?*
 - a) Federal—You do not recognize the transfer as income, provided it goes directly from the IRA provider to charity; you are not eligible for an income tax charitable deduction.
 - b) State—Each state has different laws, so check with your own advisors. Some states have a state income tax and will include this transfer as income. Within those states, some will allow a charitable deduction and others will not. Other states base their state income tax on the federal income or federal tax paid. Still other states have no income tax at all.
- 8) *Can the transfer qualify as my minimum required distribution?* Once individuals reach age 70½, they are required to take minimum distributions from their retirement plans each year, according to a federal formula. IRA rollovers to charity count toward your minimum required distribution.
- 9) *I'm over age 70½. Should I consider an IRA rollover?* Yes, especially if:
 - a) You do not itemize deductions but make charitable gifts, OR
 - b) You are subject to the limitation on itemized deductions, OR
 - c) You are required to take a distribution from your IRA that you just don't need, OR
 - d) Your charitable gifts already equal 50% of your adjusted gross income.
- 10) *How do I execute an IRA rollover?* The **sample letter** can be used to send to your IRA plan provider for a 2013 gift.