LES TURNER ALS FOUNDATION™

For more information, please contact Maria Zeller Brauer, Development Manager, at mzellerbrauer@lesturnerals.org or 847.679.3311.

IRA Charitable Rollover Gifts Permanently Extended

Use Your Traditional IRA to Make Your Charitable Gifts in 2016

In 2006 Congress made a change to the tax law that allows individuals age 70½+ to make charitable gifts directly from a traditional IRA account to charity without incurring federal income tax on the withdrawal. Many people have not heard about this option for making charitable gifts because it would expire every two years and need to be renewed by Congress.

H.R. 2029, the Protecting Americans from Tax Hikes Act of 2015, changed all that, making this provision a permanent, rather than temporary, part of the tax code (to the extent anything is permanent in the tax code). The IRA Charitable Rollover provides you with an excellent opportunity to make gifts during your lifetime from an asset that would be subject to multiple levels of taxation if it remained in your taxable estate.

To qualify

- You must be age 70½ or older at the time of gift.
- Transfers must be made directly from a traditional IRA account by your IRA administrator to the Les Turner ALS Foundation. Funds that are withdrawn by you and then contributed do NOT qualify. Gifts from 401k, 403b, SEP and other plans do not qualify.
- Gifts must be outright. Distributions to donor-advised funds or life-income arrangements such as charitable remainder trusts and charitable gift annuities are not allowed.

Benefits — qualified charitable distributions

- Can total up to $100,000.
- Are not included in your gross income for federal income tax purposes on your IRS Form 1040 (no charitable deduction is available, however).
- Count towards your minimum required distribution for the year from your IRA.

Example

Suppose John has $500,000 in an IRA and he also wants to contribute $20,000 to the Les Turner ALS Foundation. He can authorize the administrator of his IRA to transfer $20,000 to the Les Turner ALS Foundation and $5,000 to himself. The $20,000 distributed to the Les Turner ALS Foundation will not be subject to federal tax and will be counted toward his annual minimum required distribution.

As you plan your minimum required distributions for this year, if you do not need the money the government is requiring you to take, consider using it for a charitable gift using the IRA Charitable Rollover.

Questions and Answers

H.R. 2029, the Protecting Americans from Tax Hikes Act of 2015 has permanently extended the IRA Charitable Rollover. Originally passed in 2006 as part of the Pension Protection Act, the IRA Charitable Rollover allows individuals age 70½ and older to make direct transfers totaling up to $100,000 per year to 501(c)(3) charities, without having to count the transfers as income for federal income tax purposes.

Who qualifies? Individuals who are age 70½ or older at the time of the contribution (you have to wait until your actual 70½th birthday to make the transfer).

How much can I transfer? $100,000 per year. The provision no longer has an expiration date.

From what accounts can I make transfers? Transfers must come from your IRAs directly to the Les Turner ALS Foundation. If you have retirement assets in a 401k, 403b etc., you must first roll those funds into an IRA, and then you can direct the IRA administrator to transfer the funds from the IRA directly to the Les Turner ALS Foundation.

To what charities can I make gifts? Tax exempt organizations that are classified as 501(c) (3) charities, including the Les Turner ALS Foundation, to which deductible contributions can be made.

Can I use the IRA Charitable Rollover to fund life-income gifts (charitable gift annuities, charitable remainder trusts, or pooled income funds), donor advised funds or supporting organizations? No, these are not eligible.

Can I use the IRA Charitable Rollover to support [insert one of your key priorities here]? Yes, all IRA Rollover gifts can be used to support this important need.

How will the Les Turner ALS Foundation count the gift? We will give you full credit for the entire gift amount.

What are the tax implications to me?

Federal — You do not recognize the transfer to the Les Turner ALS Foundation as income, provided it goes directly from the IRA administrator to us. However, you are not entitled to an income tax charitable deduction for your gift.

State — Each state has different laws, so you will need to consult with your own advisors. Some states have a state income tax and will include this transfer as income. Within those states, some will allow for a state income tax 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.

Does this transfer qualify as my minimum required distribution? Once you reach age 70½, you are required to take minimum distributions from your retirement plans each year, according to a federal formula. IRA Charitable Rollovers count towards your minimum required distribution from the IRA for the year.

Can my spouse also make an IRA Charitable Rollover, even if we are married and file jointly? Yes, every individual can use the IRA Charitable Rollover for up to $100,000 each year.

How do I know if an IRA Charitable Rollover is right for me? You are at least age 70½, and:

- You do not need the additional income necessitated by your minimum required distribution, OR
- Your charitable gifts already equal 50% of your adjusted gross income, so you do not benefit from an income tax charitable deduction for additional gifts, OR
- You do not itemize deductions, OR
- You are subject to income phase-outs on your income tax deductions.

What is the procedure to execute an IRA Charitable Rollover? We offer a sample letter you can send to your plan provider to initiate a rollover. Make sure that you contact us when you direct the rollover so we can look for the check from your IRA administrator.

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