

## IRA Rollovers to Charity Extended through Dec 31, 2009

*The information in this article may be of great interest to you if you are over 70 ½ years old **and** have one or more Individual Retirement Accounts. The information shared below may be pertinent to charitable gifts made to a variety of organizations, including annual church offerings, gifts to church endowment funds or capital campaigns, as well as gifts to the Eastern ND Synod Endowment Fund, ELCA social ministry organizations and ELCA churchwide initiatives.*

### Overview

Many individuals have been interested in giving IRA assets to their favorite charities. However, until the year 2006, their ability to use IRA assets to make gifts had been discouraged because such gifts were includable in income (even though there has been an offsetting charitable deduction).

Legislation passed in August, 2006 allowed certain tax-free IRA rollovers to charity through December 31, 2007. **Fortunately, the “Tax Extenders and Alternative Minimum Tax Relief Act of 2008” (part of H.R. 1424), which became law in October, 2008, has extended this favorable tax incentive for the tax years 2008 and 2009.** Although IRA account owners over age 70 ½ are not required to take mandatory distributions during calendar year 2009, this incentive will still be valuable to many generous taxpayers.

### Previous Problems

Prior to this favorable legislation, funding charitable gifts through IRA withdrawals had created many tax problems, including:

1. The charitable income tax deduction for cash gifts is limited to 50% of one’s “adjusted gross income” in the year of the gift. Fortunately, unused deductions may be carried forward for up to five years. If the taxpayer was already subject to this limitation, additional gifts funded by IRA withdrawals received an unfavorable tax result.
2. For some smaller IRA gifts, there was no offsetting charitable deduction if the taxpayer(s) did not itemize deductions. **[Since the majority of Americans are unable to itemize deductions (and use the standard deduction instead), IRA rollover gifts are a wonderful opportunity for millions of Americans.]**
3. The inclusion of IRA gifts in income may have increased the percentage of Social Security benefits that were taxable.
4. The inclusion of IRA gifts in income may have caused a reduction in such items as deductible medical expenses, overall itemized deductions and personal exemptions.

## **The Present Opportunity**

The Pension Protection Act of 2006 (extended recently through 2009) allows some individuals to make distributions to public charities directly from their IRA accounts without including the distribution in income. This rule pertains to IRA owners over age 70 ½ and is limited to charitable IRA “rollovers” of up to \$100,000 per year, per person, through December 31, 2009.

## **PERTINENT QUESTIONS**

### **Why is this new provision helpful?**

Since qualified charitable distributions from IRAs are now not included in income, the “previous problems” listed above are eliminated.

### **What contributions qualify under this provision?**

The contributions must be made directly from the IRA to “public charities” such as your own congregation. For instance, gifts to private foundations, donor-advised funds, supporting organizations, charitable trusts and charitable gift annuities do not qualify.

### **How do I make a qualifying IRA “rollover”?**

You should contact your IRA custodian to make the contribution directly from your IRA to the organization(s) you choose to favor.

### **How will this IRA “rollover” to charity affect my tax return?**

It is essentially a “non-event” if it does not exceed the \$100,000 annual limitation. It is not reported as income, nor is it deductible as a charitable contribution.

## **In Summary**

If you have an Individual Retirement Account, are over age 70 ½ and want to make tax-favored gifts, you should strongly consider this new opportunity. As noted above, you can utilize this planning during the rest of tax year 2008 and throughout 2009.

*For more information or questions, please contact Julie Johnson, Lutheran Planned Giving Partnership Coordinator at: 701-232-1480 or 701-388-4781 or by e-mail at:*

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