

IRA Charitable Rollover

Just the FAQs

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With the enactment of the IRA charitable rollover, an eligible donor can donate to eligible charities up to \$100,000 from his or her IRA and exclude the donated amount from his or her ordinary taxable income.

Prior to the IRA charitable rollover, an individual who wanted to make charitable contributions of IRA assets had to take a distribution from his or her IRA, claim such distribution as income, and then make a donation to charity. In some cases, donors were able to claim charitable deductions to offset the income liability, but in many other cases, the deductions were limited or insufficient to cover the additional income taxes.

IRA Charitable Rollover Example: Each year, Dolly makes a contribution of \$10,000 to her favorite charity. This year, Dolly is required to take a minimum distribution from her IRA of \$15,000. Dolly wants to take advantage of the IRA charitable rollover so she instructs her IRA custodian to distribute \$10,000 of her \$15,000 minimum distribution to her favorite charity and the rest to her. Under the renewed legislation, Dolly is only subject to income tax on the \$5,000 she received, and not the entire \$15,000.

The law has some limitations: (1) It is only available for individuals over the age of 70 ½; (2) donations must be made in the current calendar year; (3) donations cannot exceed \$100,000 in any given year, (4) donors may not receive gifts in exchange for their donation, (5) a written receipt must be obtained from each charity receiving a rollover donation; and (6) donations must be made directly to qualifying public charities. Private foundations, donor-advised funds, and supporting organizations are not eligible to receive rollover donations.

The IRA charitable rollover makes sense for many taxpayers, especially those who don't itemize their deductions, who have reached their charitable giving limit, or who don't need the distribution for living expenses.

The IRA charitable rollover was first introduced for just a two year period (2006 and 2007). In 2008, Congress extended the IRA charitable rollover provision for two more years (2008 and 2009) and in 2010, it extended it for an additional two years (2010 and 2011). The next extension wasn't passed until January 2, 2013 and it applied to the 2012 tax year (retroactively) and 2013. Most recently, on December 19, 2014, President Obama signed The Tax Increase Prevention Act which extended the IRA charitable rollover provision to apply to the 2014 tax year. While the provision has not officially been extended for the 2015 year, it is a popular law and the extension is likely to happen.

If you would like more information about this and other ways to make a charitable gift from an IRA, please contact any in the Estate Planning & Probate Group.

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