

IRA Charitable Rollover” Option Revived for 2008 and 2009!

The recently enacted Emergency Economic Stabilization Act of 2008 contains several provisions related to charitable giving. One we are particularly excited about is the extension of the IRA Charitable Rollover provision, which had expired at the end of 2007. **Once again, you have a special planning opportunity if you are age 70 ½ or older, own an IRA, and intend to make charitable gifts in 2008 or 2009.**

If you meet these requirements, you can make distributions directly from your IRA to one or more charities without the distributions being included in taxable income and subject to withholding. An additional benefit is that the funds transferred from your IRA to a charity count toward your mandatory withdrawal.

If this gift provision had not been extended, using IRA funds for a charitable contribution would have required withdrawing money from your IRA and then contributing it. The amount withdrawn would have been taxable, and the deduction for the contribution may or may not have offset the tax.

Example: Suppose Jack has \$500,000 in an IRA and will be required to withdraw approximately \$25,000 this year, and suppose further that he wants to contribute \$10,000 to United Way. Jack can authorize the trustee of the IRA to transfer \$10,000 to United Way and \$15,000 to himself. He will not be subject to tax on the \$10,000 distributed to United Way. (Jack does not deduct the \$10,000 gift – by not paying tax on otherwise taxable income, he has already received his tax benefit.)

Making charitable contributions from an IRA rather than other assets may be especially appropriate if you:

- do not itemize deductions,
- would not be able to deduct all of your charitable contributions because of deduction limitations,
- may lose some of your itemized deductions because of your income level, or
- are required to take distributions but do not need them for living expenses.

Certain limitations apply to these non-taxable charitable distributions from an IRA:

- They cannot exceed \$100,000 per person per year.
- They must be made to a public charity (not a private foundation), and they cannot be to a supporting organization or a donor advised fund.
- The gifts must be outright. For instance, they cannot be used to establish a gift annuity or fund a charitable remainder trust.
- No goods or services, such as tickets to an event, can be received in exchange for the contribution.
- These tax-free distributions can be made only in 2008 and 2009.