



Helping Families Thrive

The IRA Charitable Distribution Provision

On August 17, 2006 President Bush signed into law the Pension Protection Act of 2006. The act included an unprecedented provision that allowed non-taxable distributions to be made from one's traditional or Roth IRA directly to a public charity. The original provision expired at the end of 2007. Recently, however, the provision has been extended through December 31, 2009.

Q: What kinds of retirement plans qualify under this provision?

A: The provision applies only to traditional IRAs and Roth IRAs. Other retirement plans, such as 401(k), 403(b), profit sharing, Keoghs, SEPs and SIMPLE plans are not eligible.

Q: How long is the IRA charitable distribution provision in effect?

A: The provision--sometimes referred to as the IRA Charitable Rollover--applies only to charitable transfers completed on or before December 31, 2009.

Q: Is there any age requirement for the plan owner who wishes to take advantage of this exclusion?

A: The tax exclusion applies to plan owners who are at least 70 1/2 years of age at the time of the charitable distribution.

Q: Is there a limitation on the amount of the charitable distribution?

A: The exclusion amount is limited to \$100,000 per year, per plan owner. Thus, a married couple who both own IRAs could make a qualified charitable contribution of \$200,000 in a single tax year.

Q: Can a distribution be made to any charity or non-profit organization to qualify for the exclusion?

A: To qualify for the exclusion the distribution must be made directly to a public charity (donor advised funds, supporting organizations, and private foundations do not qualify).

Q: Can a donor fund a gift annuity with the IRA charitable distribution?

A: No. Split interest gifts do not qualify, nor do any gifts in which a donor receives a benefit of value other than intangible ones.

Q: How is the distribution made so the donor will avoid a tax penalty?

A: The best way is for a donor to authorize his or her IRA plan administrator to make the distribution payable directly to the charity. Accordingly, it's important that the plan administrator provides the charity with information about both the donor and the charitable gift so that the charity can present the donor with a letter of acknowledgement. Without this substantiation, the exclusion is not available.

In Closing

Please keep in mind that the general information contained in this article is not intended as a substitute for professional financial planning or tax advice. For this reason, we strongly recommend you discuss your particular circumstances with your tax or financial professional. If you wish to discuss the IRA charitable rollover at greater length, or if you wish to inquire about other creative giving opportunities, please call Focus on the Family's Gift & Estate Planning team at 800/782-8227.