

Guidelines for Charitable Contributions from IRA Accounts

The on-again/off-again charitable IRA “rollover” is currently on. Congress reactivated this gift in December, 2010, and it expires December 31, 2011.

Here’s the refresher course: A charitable IRA “rollover” isn’t like moving money from one qualified plan into another qualified plan. It is making a charitable contribution from an IRA without suffering adverse tax consequences.

Here’s how it works: Any time in calendar year 2011, a donor aged 70.5 or older can make a charitable contribution from a traditional IRA or Roth IRA in any amount up to \$100,000. It could be \$1,000, \$10,000 or any portion of the amount required for distribution each year. The donor will need to talk to the IRA custodian about the gift, and the IRA custodian will probably want to talk to our office to make certain we are a qualified charity (we are).

The IRA custodian will cut a check in the amount specified by the donor to St. Elizabeth Academy (SEA). You will get a thank you note – but not a tax receipt from SEA. The form you need for income tax purposes will come from your IRA custodian, specifying you have made a charitable distribution from your IRA.

That means you do not pay income tax on the amount distributed, it will NOT subject your Social Security income to higher tax levels, and it should meet some or all of your required minimum distribution. Under the rules, the donor cannot receive any benefit from the distribution, *so it cannot be used to fund a charitable gift annuity, for example, which provides income to the donor for life*. Many individuals have enjoyed growth in their IRAs, producing income they do not need – and don’t want to take if it increases their tax burden. For donors who do not need their required minimum distribution for living expenses, utilizing it for a charitable contribution may be a good idea.

IRAs and other pension assets are often better sources for charitable contributions than assets like stock, for example. Pension assets are heavily taxed at the death of the second spouse, leaving much less for children and grandchildren. IRA assets are often the best assets to use for charitable contributions – again, if the donor doesn’t need the income for living expenses.

IRA rollover gifts may be used to fund a donor’s annual commitment, Capital Campaign commitment, a special wish for us, or a scholarship. This is how SEA alumna, Donna, and her husband, Tony, are fulfilling this year’s payment toward their SEA Capital Campaign pledge commitment. Growth in their IRA was used to fund this year’s payment, without using income that would be taxable.

Contact your financial advisor if you think this might be a good gift for you to make, and then call your IRA custodian to discuss the procedures. Be sure to put your custodian in touch with Mary Jane Driscoll, Director of Advancement at SEA for the charitable status information needed to complete the gift.

If an IRA rollover gift is right for you it can be a win-win for you and for the students at St. Elizabeth Academy.

For more information, call Mary Jane Driscoll, SEA Director of Advancement, at 314-771-5134 ext. 233.