

CHARITABLE IRA DISTRIBUTIONS

The Pension Protection Act of 2006 allows you to make distributions directly from your IRA to one or more charities without the distributions being included in taxable income and subject to withholding. You must be 70½ or older at the time of the distribution.

Previously, withdrawals from IRAs for charitable gifts were taxable to the withdrawing donor. You are now able to make a tax-free gift by instructing the trustee of your IRA to transfer the withdrawal directly to the charity. Another benefit is that the funds transferred from your IRA to a charity count towards your mandatory withdrawal.

EXAMPLE OF CHARITABLE IRA DISTRIBUTION

Suppose Mary has \$700,000 in an IRA and will be required to withdraw approximately \$35,000 this year.

Suppose also that Mary wants to contribute \$10,000 to the Sisters of the Holy Cross.

She can authorize the trustee of the IRA to transfer \$10,000 to the sisters and \$25,000 to herself. The \$10,000 distributed to charity will not be subject to income tax.

Example provided courtesy of PG Calc.

LIMITATIONS ON CHARITABLE IRA DISTRIBUTIONS

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

- They cannot exceed a grand total of \$100,000 per year.
- They must be made to a public charity (not to a private foundation) and they cannot be made to a supporting organization or a donor advised fund.
- The gifts be used to establish a gift annuity or fund a charitable remainder trust.

Note: This document is for information purposes only and should not be construed as legal, tax or financial advice. Please consult your tax or legal advisor for more information.

Information provided courtesy of PG Calc.

CAUTIONS: IRA CHARITABLE DISTRIBUTIONS

- IRA Charitable Distributions are not advantageous for everyone. Contact your financial advisor to find out if this option will benefit you.
- IRA Charitable Distributions do not qualify for charitable tax deductions. The tax advantage is that the withdrawal will not result in an income tax liability to you.
- The rules are very clear that the donor cannot simply withdraw the funds and make the donation. It must be transferred from the trustee of the IRA directly to the charity, otherwise the donor will have an income tax liability.
- PLEASE let us know if you intend to make an IRA distribution to the Sisters of the Holy Cross. A quick phone call to our Development Office, (574) 284-5641, or better yet a letter letting us know what to look for, will help ensure that we can identify your donation when it arrives, can issue you the required receipt, and use the funds for the purpose you intend. Sample letters are provided for your convenience.
- You must have a written receipt before you file your taxes.

Check with your financial advisor for the latest information.

SAMPLE LETTERS FOR IRA CHARITABLE DISTRIBUTIONS

Clear communication is key to a smooth IRA charitable distribution. On the following pages you will find two documents that may help you craft your letter.

SAMPLE REQUEST FROM IRA OWNER (DONOR) TO THE IRA TRUSTEE REQUESTING A CHARITABLE DISTRIBUTION:

Dear _____:

Please make a direct charitable distribution from my Individual Retirement Account # (Account Number) as provided by the Sec. 1201 of the Pension Protection Act of 2006 and Sec. 408(d)(8) of the Internal Revenue Code of 1986, as amended.

Please issue a check in the amount of \$_____ payable to the following organization at the address below:

Sisters of the Holy Cross, Inc.
Development Office
407 Bertrand Hall–Saint Mary's
Notre Dame, IN 46556-5000

Please make sure to include my name and address as the donor of record in connection with this transfer and copy me on your transmittal.

It is my intention to have this transfer qualify for exclusion during the 20__ tax year. Therefore, it is imperative this distribution be postmarked no later than December 31, 20__.

If you have any questions or need to contact me, I can be reached at (telephone).

Thank you.

Sincerely,

(Donor)

SAMPLE LETTER FROM IRA DONOR INFORMING THE SISTERS OF THE HOLY CROSS
OF A FORTHCOMING QUALIFIED CHARITABLE DISTRIBUTION FROM AN IRA:

(Date)

Sister M. Rose Edward (Goodrow), CSC
Sisters of the Holy Cross
Development Office
407 Bertrand Hall–Saint Mary's
Notre Dame, IN 46556-5000

Dear Sister Rose Edward:

I am writing to inform you that I have requested a qualified charitable distribution from my Individual Retirement Account payable to your organization in the amount of \$_____ from my plan trustee/administrator, (insert name of trustee/administrator).

It is my intent to comply with the requirements of Sec. 1201 of the Pension Protection Act of 2006 and Sec. 408(d)(8) of the Internal Revenue Code of 1986, as amended, in connection with this gift.

Accordingly, upon your receipt of payment from my trustee/administrator, please send me a contemporaneous written acknowledgement that states the amount of my gift, that no goods or services were transferred to me by your organization in consideration for this gift, and that my gift will not be placed in a donor advised fund or supporting organization.

If you have any questions or need to contact me, I can be reached at (telephone).

Sincerely,

(Donor)