

IRA Charitable Rollover – Only 1 Year Left

During 2006 and 2007, the newly enacted IRA rollover provision permits individuals age 70½ and above to make charitable donations of up to \$100,000 from Individual Retirement Accounts (IRAs) and Roth IRAs without having to count the distributions as taxable income. The IRA Charitable Rollover is intended to benefit donors of all incomes, as well as big and small nonprofits alike.

The Law

President Bush signed the IRA Charitable Rollover into law on August 17, 2006, as part of the Pension Protection Act of 2006.

How does the IRA Charitable Rollover Work?

Taxpayers age 70½ and older are required to make annual distributions from their IRAs. The distributions are included in the taxpayers' adjusted gross income, and taxpayers pay taxes on them. The IRA Charitable Rollover permits taxpayers to make donations directly to charitable organizations from their IRAs without counting them as part of their Adjusted Gross Income and, consequently, without paying taxes on them.

- **Give Now.** Only contributions made between January 1, 2006 and December 31, 2007, are eligible for the enhanced tax benefit.
- **Age Requirement.** Donors must be 70½ years old or older when the distribution is made.
- **Donation Limit.** A donor's total combined charitable IRA rollover contributions cannot exceed \$100,000 in any one year.
- **Eligible Charities.** Charitable contributions from an IRA must go directly to a public charity. Contributions to supporting organizations, donor-advised funds, and private foundations, except in narrow circumstances, do not qualify for the tax-free treatment.
- **Eligible Retirement Accounts.** Distributions can only be made from traditional Individual Retirement Accounts or Roth IRAs. Charitable donations from 403(b) plans, 401(k) plans, pension plans, and other retirement plans are ineligible for the tax-free treatment.
- **Directly to the Charity.** Distributions must be made *directly* from the IRA trustee payable to the public charity.
- **No Gifts in Return.** Donors cannot receive any goods or services in return for charitable IRA rollover contributions in order to qualify for tax-free treatment.
- **Written Receipt.** In order to benefit from the tax-free treatment, donors must obtain written substantiation of each IRA rollover contribution from each recipient charity.