CHRISTIAN MANAGEMENT ASSOCIATION

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Tax-Free Distributions from IRAs for Charitable Purposes

Since 2006, IRA owners who are at least 70 ½ years of age have been able to make tax-free distributions of up to $100,000 annually from a traditional IRA or ROTH IRA to a qualified, tax-exempt 501(c)(3) church or charity. With the recent passage of the PATH Act of 2015 this special provision has become a permanent fixture in the Internal Revenue tax code.

Here are a few things to keep in mind when thinking about making (or receiving) such a donation:

1. The IRA owner must be age 70 ½ or older.
2. The donor must directly transfer the money free of any tax obligations to an eligible organization.
3. The maximum amount that an IRA owner may transfer annually tax-free is $100,000.
4. This option is available to eligible IRA owners, regardless of whether they itemize their deductions or take the standard deduction.
5. Distributions from employer-sponsored retirement plans, including SIMPLE IRAs and simplified employee pension plans – commonly referred to as SEP Plans – are not eligible.
6. To qualify, the funds must be contributed directly by the IRA trustee to the eligible charity.
7. Not all charities are eligible. While most organizations classified as 501(c)(3) public benefit or religious organizations are qualified to receive such donations, donor-advised funds and supporting organizations are not eligible recipients.
8. Transferred amounts are counted in determining whether the owner has met the IRA's required minimum distribution rules.
9. Amounts transferred by the owner of the IRA are not taxable and no deduction is available to the IRA owner for the amount given to the charity unless non-deductible contributions are transferred.
10. Where individuals have made nondeductible contributions to their traditional IRAs, a special rule treats transferred amounts as coming first from taxable funds, instead of proportionately from taxable and nontaxable funds, as would be the case with regular distributions.

11. If non-deductible contributions are transferred to an eligible organization, a charitable contribution deduction may be allowed if itemizing deductions and the donor has received a contribution receipt from the recipient charity.

More information about qualified charitable distributions can be found in **IRS Publication 590**, Individual Retirement Arrangements.

DISCLAIMER

This material is presented with the understanding that the author is providing basic information only, and assumes no liability whatsoever in connection with its use. Tax laws are constantly changing, are subject to differing interpretations, and the facts and circumstances in any particular situation may not be the same as those presented here. Therefore, we urge you to do additional research and make sure that you are fully informed and knowledgeable before using the information contained herein.