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## Charitable IRA Rollover Explained

Now you can reliably plan charitable IRA rollover gifts, year after year. On Dec. 18, 2015, congress passed, and the president signed, legislation indefinitely extending the charitable IRA rollover, making it retroactive to Jan. 1, 2015, *with no expiration date*.

### What is a charitable IRA rollover?

The charitable IRA rollover, or qualified charitable distribution (QCD), is a special provision allowing certain donors to exclude from taxable income -- and count toward their required minimum distribution (RMD) -- certain transfers of Individual Retirement Account (IRA) assets that are made directly to public charities, including the **St. Anthony Marie de Claret Catholic Church**.

Since it was first made available in tax year 2006, many donors age 70 1/2 or older have used this popular option to support the **parish** and other charities with tax-wise gifts ranging from \$100 to \$100,000.

- Transferred from a traditional or Roth IRA directly to a permissible public charity, such as the **St. Anthony Marie de Claret Catholic Church**.
- Completed during the applicable tax year

### Is there a limit on the amount that can be given?

Yes, there is a limit. An individual taxpayer's total charitable IRA rollover gifts cannot exceed \$100,000 per tax year.

### What about the required minimum distribution?

If you have not already taken your required minimum distribution in a given year, a qualifying rollover gift can count toward satisfying this requirement.

### How does this help me?

A charitable IRA rollover makes it easier to use IRA assets, during lifetime, to make charitable gifts.

### Is an income tax deduction also available?

No. The gift would be excluded from income, so providing a deduction in addition to that exclusion would create an inappropriate double tax benefit.

### Why will lifetime IRA gifts be easier?

Under current law, withdrawals from traditional IRAs and certain Roth IRA's are taxed as income, even if they are immediately directed to a charity. The donor receives a tax deduction for his or her donation, but various other federal, and sometimes state, tax rules can prevent the deduction from fully offsetting this taxable income. As a result, many donors have chosen not to use IRA assets for lifetime gifts. The charitable IRA rollover eliminates this problem.

### Why are Roth IRAs included? Aren't withdrawals from a Roth IRA tax-free?

Withdrawals from a Roth IRA may be tax-free only if the account has been open for longer than five years or if certain other conditions apply. Otherwise, withdrawals are taxed as if they came from a traditional IRA. Therefore, certain Roth IRAs could benefit from a charitable IRA rollover.

### What gifts qualify for a charitable IRA rollover?

A gift that qualifies (QCD), is:

- Made by a donor age 70 1/2 or older

### Can other retirement plans, such as 401(k) and 403(b) accounts, be used?

No. However, it may be possible to make a tax-free transfer from such other accounts to an IRA, from which a charitable rollover can then be made.

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### **Can a gift be made to any charity?**

No. Excluded are: Donor advised funds, Supporting organizations and Private foundations.

### **Benefits of an Charitable IRA Rollover**

Since the Charitable IRA rollover is excluded from your income, it results in a lower Adjusted Gross Income (AGI). Therefore your AGI is lower than it would be if the contribution were not made. Lowering AGI is more valuable than taking a charitable deduction on your income taxes. Literally dozens of tax calculations are based on AGI. Some of these include:

- Charitable contributions are limited to 50% of AGI each year with excess allowed to be carried forward five years.
- Medical expenses for seniors are limited to the excess over 10% of AGI
- Miscellaneous itemized deductions are limited to the excess over 2% of AGI
- Itemized deductions are generally reduced by 3% of AGI above a threshold
- Personal exemptions begin to phase out as AGI exceeds a threshold
- Up to 85% of Social Security income becomes taxable as AGI increases
- Eligibility for Roth IRA contribution goes away after AGI exceeds a threshold
- The 3.8% tax on net investment income only applies to AGI above a threshold.
- There is a significant non-tax calculation that is based on AGI: the cost of Medicare premiums. Medicare Part B premiums, as well as prescription drug premiums, rise significantly in four steps as AGI rises.

Taxpayers who take the standard deduction will benefit from the IRA charitable contribution since charitable contributions are deductible only to taxpayers who itemize their deductions.

### **Can a rollover gift be used to pay my pledged support to the *Growing, Living and Building Together Capital Campaign* and/or the parish?**

Yes. You can honor your pledge to the **campaign or the parish** with one or more qualified charitable IRA rollover transfers of up to \$100,000 per person, per calendar year. You can direct your IRA provider to transfer your charitable gift to the **campaign or parish** quarterly, annually, or other timing that works for you.

Simply have your provider indicate that the transfer is a gift from you.

### **Can a rollover gift be used to fund a charitable remainder trust or charitable gift annuity?**

No. The donor can receive no benefits in return for the gift. This includes life income plan payments.

### **Are there any benefits that a donor can receive?**

The only permissible benefits from a charitable IRA rollover gift are those that would not reduce the tax deduction for which the donor would have otherwise qualified. At the **St. Anthony Marie de Claret Catholic Church**, a charitable IRA rollover gift is allowed to count toward memorial opportunities, naming opportunities and toward recognition levels.

### **What if a withdrawal does not meet the requirements of a charitable IRA rollover?**

It simply will be included in taxable income as other IRA withdrawals currently are.

### **Is the charitable IRA rollover right for everyone?**

While this is a great option, other types of gifts may provide donors with more tax benefits. As with any gift planning question, donors should consult their tax professionals for specific advice.

### **Can I still make a gift with an IRA beneficiary designation?**

Absolutely! Whether or not you choose to make a charitable IRA rollover gift, you can still designate the **St. Anthony Marie de Claret Catholic Church** as a beneficiary to receive IRA assets after your lifetime. The lifetime charitable IRA rollover is simply another option for donors who would like to see their philanthropy at work now.

### **If I made a charitable IRA rollover gift in other tax years, can I do this again for the current tax year?**

Yes. The current law extends the charitable IRA rollover provision indefinitely -- with no expiration date -- allowing individuals to make qualifying gifts every tax year.

### **More questions?**

Contact the **parish office at 512.268.5311 or send an email to [campaign@samc-kyle.org](mailto:campaign@samc-kyle.org).**