IRA Charitable Rollovers

October 30, 2018

For many donors 70½ or older, a rollover gift from a qualified IRA just became far more advantageous. We need to encourage our retired congregants and donors to talk to their professional advisors about tithing to UWM, or their local ministry, via qualified charitable distributions from their IRA rather than cash. Most charitable organizations are actively promoting gifts via IRA rollover (or "qualified charitable distribution") this time of year, so we want to support you in informing your congregation about this timely opportunity. Donors who make IRA charitable rollover gifts are likely to repeat them in subsequent years, and they will become more likely to consider other types of planned gifts, like bequests from the same IRA.

In late 2015, Congress made the IRA charitable rollover provision of the Taxpayer Relief Act of 2012 permanent. With the passage of the Tax Cuts and Jobs Act of 2017, many more donors over the age of 70½ will likely benefit from giving via a qualified charitable distribution from their IRA. Donors are allowed to transfer up to $100,000 annually from their IRA directly to their favorite charity.

When the transfer is made *directly* from the custodian of the IRA to a qualified charity, the distribution is excluded from the donor's adjusted gross income (AGI) but still counts toward their required minimum distribution (RMD). For retired donors who do not need the required minimum distribution from their IRA, or at least a portion of it, this is an efficient and easy way to support Unity and reduce taxable income. The IRA charitable rollover is particularly appealing to: donors who do not benefit from charitable deductions, because they do not itemize deductions; those who have already reached their annual limitation on charitable deductions; and, those impacted by the percentage of adjusted gross income limitation on charitable contributions.

The new tax code will make charitable giving and tithing less financially advantageous for many Americans, so this is where the IRA rollover can benefit more of your congregants. Because the new tax code nearly doubles the standard deduction, and limits the itemized deduction for state and local taxes at $10,000 annually, many retired donors who typically itemized deductions in the past, will now be taking the standard deduction. This means that their charitable gifts and

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tithes will no longer be advantageous to them at tax time. However, a qualified charitable distribution from an IRA, even if they take the standard deduction, will still allow the donor to make their gifts with pretax dollars. This needs to be communicated to your retired congregants—for many, tithing via their IRA will now benefit them more than giving cash.

Making a qualified charitable distribution from an IRA is simple. Typically, the donor need only contact the custodian of their IRA and specifically request to make a qualified charitable distribution—most administrators will simply provide a form and issue a check made out to the donor's charity of choice. We encourage you to promote IRA charitable rollovers in your fourth quarter newsletters, on your website, or even in a letter directed specifically to your members who are 70 ½ or older. Do not feel you need to go into detail, simply acknowledging that this opportunity exists for donors in this age group should be sufficient to generate interest.

Unity Worldwide Ministries *does not* provide individuals with tax or legal advice, but we are pleased to visit with donors and/or staff of member ministries who have questions about handling gifts from an IRA, or any charitable contribution. Since a qualified charitable distribution from an IRA does not count toward the donor's income, it is *not* tax-deductible, so you will need to acknowledge the gift a bit differently—UWM can provide a sample letter for use with your letterhead.

For more information please contact:

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The information herein is not intended as tax or legal advice. Figures cited in examples are for hypothetical purposes only. For more information, see a competent tax advisor.