

### ***Special Tax Incentives for IRA Gifts***

If you are 70½ or older temporary legislation allows you to make cash gifts totaling up to \$100,000 from your traditional or Roth IRA to qualified charities without incurring income tax on the withdrawal. This is good news for people who want to make a charitable gift during their lifetime from their retirement assets, but have been discouraged from doing so because of the income tax penalty. The current provision is effective for the 2009 tax year only. [Contact us](#) for more information.

### **Charitable IRA Rollover Provision**

On October 3, 2008, Congress passed the Emergency Economic Stabilization Act of 2008 ([H.R. 1424](#)), which includes an extension of the IRA Charitable Rollover. The extension allows individuals 70½ and older to donate up to \$100,000 from their IRAs tax-free to The Nature Conservancy. This special opportunity is in effect for this year only so you must act by December 31, 2009 to take full advantage of the current legislation.

The provision permits distributions from traditional IRAs or Roth IRAs to qualified public charities and private operating foundations as described in IRC 170 (b)(1)(A). Whereas such distributions were previously income taxable, they are now excludable from gross income, eliminating the income tax penalty for such charitable gifts. The following limitations and restrictions apply:

- The individual for whose benefit the plan is maintained must have attained the age of 70 ½ or older at the time of gift.
- Qualified charitable distributions may not exceed \$100,000.
- The provision applies to the 2009 tax year only. Qualified distributions must be made by December 31.
- Qualified distributions must be made directly to the charity by the plan trustee. Contact your plan trustee for information on how to initiate a transfer.
- Qualified charitable distributions may be excluded from gross income for Federal Income tax purposes. However, no federal income tax deduction is available. Certain states may not exclude gift amounts withdrawn from an IRA for state income tax purposes.
- Only outright gifts are eligible. Distributions to charitable gift annuities, charitable remainder trusts, pooled income funds and other split-interest arrangements do not qualify for special tax treatment.
- Qualified contributions are not subject to the deductibility ceiling (50% of AGI) or the 2% rule that requires that itemized deductions be reduced by 2% of AGI in excess of \$150,500 for tax year 2006.
- Gifts from retirement accounts other than IRAs—such as 401k, 403b, and SEP accounts—are not eligible. Donors may be able to make qualified transfers of money from other accounts to their IRA, and then make a charitable gift from their IRA. Check with your tax adviser.

- Distributions to Supporting Organizations as described in IRC 503(a)(3) and Donor Advised Funds as described in IRC 4966(d)(2) are specifically excluded.
- Donors who do not itemize their Federal income tax returns may make qualified IRA gifts and exclude such gifts from their reportable income.

Who is most likely to benefit?

- Individuals who wish to give more than the deductibility ceiling (50% of AGI).
- Individuals who are subject to the 2% rule that reduces their itemized deductions.
- Individuals whose major assets reside in their IRAs and who wish to make a charitable gift during their lifetime.
- Individuals who intend to leave the balance of their IRA to charity at death anyway.

*PLEASE NOTE: This summary is not intended as legal or tax advice.*