# Charitable IRA Rollover

## The Charitable IRA Rollover: A Giving Opportunity for 2008 and 2009

***Tax Free to Charity***

| **Benefits** |
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| • *Retirement Fund can be taxed up to 70% if passed on to heirs, yet it is tax-free to charity.* |

The Emergency Economic Stabilization Act of 2008, signed into law on October 3, renews a temporary provision that allows donors age 70½ or older to make a direct, tax-free rollover of up to $100,000 from a traditional or Roth IRA to a qualified charitable organization such as PEAF—but only until the end of 2009. A direct rollover will be much better for most donors than a taxable IRA withdrawal followed by a charitable gift. The many tax benefits associated with this giving opportunity are detailed below.

Of course, only donors who are sure they will not need these assets at a later date should consider a charitable IRA rollover. Donors of any age can still make a deferred gift of an IRA or other retirement account by naming PEAF as a beneficiary of the account at their death.

## Tax Benefits

- No "reduction of deduction" for high income taxpayers: Donors who have an income of $166,800 ($83,400 for married filing separately) in 2009 and who would normally be subject to a reduction of their itemized charitable deductions may give through the charitable IRA rollover and effectively receive a deduction for the full amount of the gift.
- Taxpayers who normally take only the standard deduction (that is, taxpayers who don't itemize and therefore don't get to take charitable deductions) will get the equivalent of a charitable deduction for their rollover gift in addition to their standard deduction.
- Taxpayers who do itemize but who are close to the adjusted gross income ceiling on charitable gifts (i.e., the 30% and 50% rules) can make a charitable IRA rollover, which will act like a full charitable deduction for their gift, and avoid the ceiling.
- Donors who have carryover deductions from earlier charitable donations won't lose the ability to take the carryover deduction in the year of the rollover as a result of the IRA rollover gift. Normally deductions for current gifts are applied before any carryover deductions and may use up the allowable deduction amount.
- Because the charitable IRA rollover amount is never recognized as income to the taxpayer, the taxpayer may avoid tax deduction reductions based on income levels (i.e., 7.5% floor on medical deductions, 2% floor on miscellaneous itemized deductions, etc.).
- A charitable IRA rollover, as opposed to a withdrawal by the taxpayer that would be includable in income, may reduce the amount of social security payments that are subject to tax.
- If the donor's state does not normally allow tax deductions for charitable gifts, a charitable IRA rollover may act like a charitable tax deduction. (Note: State laws vary and a tax advisor versed in the tax laws of the state should be consulted before the charitable IRA rollover.)

*Note: The techniques and strategies above are intended to provide accurate information regarding the subjects covered; however, they are furnished with the understanding that PEAF is not engaged in rendering legal, accounting, or other professional advice or counsel. The foundation encourages the reader to seek competent professional counsel to address any legal or other issues that may arise.*