

WHY IS THE CHARITABLE IRA ROLLOVER A TAX-WISE GIFT?



The limitations of itemized deductions and the increase in the standard deduction means that many Americans will no longer itemize and will not be able to take an offsetting income tax charitable deduction. The net effect of the charitable IRA rollover offers the functional equivalent of an income tax charitable deduction even if you don't itemize.

If you qualify, you can make a gift to charity and enjoy the tax benefits even if you do not itemize deductions. Regardless of the size of the gift you would like to make, the charitable IRA rollover (known as a qualified charitable distribution or QCD by tax professionals) is the most tax-efficient lifetime gift of all.

When you make a charitable IRA rollover gift, you won't need to include the transferred funds in your income for that year and therefore will not pay any tax on them. If you were to withdraw the funds yourself and then make a gift to us, you would have to include the withdrawal in your income.

Another great feature of a charitable IRA rollover gift is that it counts toward the amount you are required to withdraw from your IRA for the year - your "required minimum distribution." If you do not need these funds for your own use, you can meet your required distribution by making gifts to the Episcopal High School and your other favorite charities and avoid paying income tax on these withdrawals.

The benefits to you:

- Your withdrawal is not included in your income, so you won't have to pay any taxes on that income.
- Your withdrawal satisfies some or all of the required minimum distribution in the year of the gift.
- The charitable IRA rollover may save you from owing higher taxes on Social Security benefits and paying higher Medicare premiums.
- You have the satisfaction of providing immediate support to the Episcopal High School.

Simply visit your IRA administrator's website for a QCD (qualified charitable distribution) form.

IRA Rollover Rules

Donor must be 70 1/2. The IRA owner must actually be age 70 1/2 or older on the date of distribution.

Annual charitable rollover limited to no more than \$100,000 per individual each year. A married couple who both have IRA's can each make gifts up to \$100,000 from IRAs that they own.

Gifts may only come from the donor's Traditional Individual Retirement Account. 401(k), 403(b), SEP IRA accounts, and other retirement accounts do not qualify.

Charitable IRA rollovers must be to a public charity. Rollovers may not go to a private foundation, nor may a charitable IRA rollover go to a charitable supporting organization or a donor-advised fund.

The gift must generate a full deduction for the amount of the rollover. The IRA donor may not receive any "quid pro quo" benefits for the donation, such as gala tickets, which would limit the donor's deduction to only the net amount contributed.

The IRA administrator must make the charitable IRA rollover directly to charity. The donor should submit a distribution form to the IRA custodian, requesting that the check be made payable directly to charity. The check can be sent directly to charity or to the IRA owner to be forwarded along to the charity.

We are here to assist

If you have questions please contact our Office of Planned Giving at 703-933-4026, or by sending an email to kda@episcopalhighschool.org.