

The Charitable IRA Rollover – available for 2015 and forward

On December 18, 2015, President Obama signed the **Protecting Americans from Tax Hikes Act of 2015** (H.R. 2029) into law. This act extends certain charitable gift provisions of the Pension Protection Act (Public Law No: 109-280) and **makes the charitable IRA rollover** (also referred to as a “qualified charitable distribution”) **permanent** for future years. A few points to consider:

- (1) The **charitable IRA rollover is only available for gifts from an IRA** and not from any other type of retirement plan (e.g. 401(k), 403(b), SEP, Keogh, ESOP, etc.). In some cases, a donor may transfer assets from another type of retirement account into an IRA in order to be able to make a tax-free IRA rollover to a charity.
- (2) It is only allowed for **outright gifts to a qualified public charity like Duke University** for which **the donor receives no benefits**. It is not allowed for a charitable remainder trust, lead trust, gift annuity, pooled income fund, donor advised fund, supporting organization, family foundation, etc.
- (3) It is only allowed for donors who are **at least 70 ½ years of age** on the date of the gift.
- (4) Charitable IRA rollovers are allowed for **up to \$100,000** in total during each year from the donor’s IRA or IRAs.
- (5) There is **no federal income realized** and **no income tax deduction** for the donor making a charitable IRA rollover (unless the rollover is made from documented taxable contributions). Since a charitable IRA rollover does **not result in higher adjusted gross income**, it may eliminate the negative impact of higher income on existing charitable deductions, loss of deduction under the Pease Amendment (3% reduction of deductions), higher Medicare premiums, self-employment and Social Security taxes, and application of the Affordable Care Act’s 3.8% tax and other “high income” tax penalties. **State income tax treatment** -- Some states treat the charitable IRA rollover as income followed by a deduction but this varies state to state so please check with your advisors.
- (6) **Taxpayers who normally only take the standard deduction** (those 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.
- (7) **The charitable IRA rollover should be directly transferred from the plan administrator (a.k.a. custodian or trustee) of the IRA to the charity (Duke University)**. The donor should **not** accept any distribution of funds intended for a charitable IRA rollover.

A **testamentary gift of an IRA** to Duke may be more appropriate for those donors who do not have sufficient assets to comfortably consider a lifetime charitable IRA rollover. This can be done by naming Duke as a primary or contingent **beneficiary** of the IRA on a “**beneficiary designation form**” available from the IRA’s plan administrator. An IRA can also be left to fund a “life income gift” (gift annuity or charitable remainder trust) for a loved one.

For questions or to notify Duke about a charitable IRA rollover and gift use, please contact:

Duke University, Office of Gift Planning, Box 90600, Durham, NC 27708
Phone: (919) 681-0464 or -0467; Fax: (919) 684-9731
<http://www.giftplanning.duke.edu>

Example Letter to direct a Qualified Charitable Distribution from an IRA to Duke University

Date:

Name of IRA Custodian
Address
City, State, Zip Code

Re: Charitable IRA Distribution to Duke University

Dear Custodian, Trustee or Plan Administrator:

I hereby direct you to make a qualified charitable distribution (a “charitable IRA rollover”) of \$_____ to Duke University, a 501(c)(3) public charity that is qualified to receive charitable IRA rollovers under the provisions of the Protecting Americans from Tax Hikes Act of 2015 (extending a section 1201 of Public Law 109-280). This rollover should be made from the _____ (name on IRA account), account number _____. It is my intent to make this charitable IRA rollover for tax year 2015. I further represent as follows:

- (1) I am over 70 ½ years of age. My date of birth is: _____.
- (2) I will not receive any benefits from Duke University as a result of this rollover. This rollover is **not** directed to a charitable remainder trust, lead trust, gift annuity, pooled income fund, donor advised fund, supporting organization, family foundation, or other non-qualified use of a charitable IRA rollover.
- (3) I understand that a charitable IRA rollover is limited to no more than \$100,000 in total from my IRA or all of my IRAs combined.
- (4) I will not incur any federal income tax liability as a result of this rollover therefore I elect out of withholding for this rollover. I will not accept any personal distribution of funds intended for this charitable IRA rollover.

Thank you for your prompt attention to this matter. Please contact me immediately with any questions or the reasons for any substantial delay in completing this rollover.

Sincerely,

Donor’s name as listed on the IRA

This charitable IRA rollover to Duke University should be delivered to:

Alumni and Development Records
Duke University
Box 90581
Durham, NC 27708-0581
Phone: (919) 684-2338
Fax: (919) 684-8527