

Use Your Traditional IRA to Make Your Charitable Gifts

The IRA Charitable Rollover provides you with an excellent opportunity to make a gift during your lifetime from an asset that would be subject to multiple levels of taxation if it remained in your taxable estate.

To qualify

- You must be age 70½ or older at the time of gift.
- Transfers must be made directly from a traditional IRA account by your IRA administrator to USA Hockey, Inc. Funds that are withdrawn by you and then contributed do NOT qualify. Gifts from 401k, 403b, SEP and other plans do not qualify.
- Gifts must be outright. Distributions to donor-advised funds or life-income arrangements such as charitable remainder trusts and charitable gift annuities do not qualify.

Benefits — qualified charitable distributions

- Can total up to \$100,000.
- Are not included in your gross income for federal income tax purposes on your IRS Form 1040 (no charitable deduction is available, however).
- Count towards your required minimum distribution for the year from your IRA.

Example

Suppose John wants to make a contribution to USA Hockey, Inc. He has \$500,000 in his IRA and he wants the contribution to be \$20,000. He can authorize the administrator of his IRA to transfer \$20,000 to USA Hockey, Inc. and \$5,000 to himself. The \$20,000 distributed to USA Hockey, Inc. will not be subject to federal tax and will be counted toward his annual minimum required distribution.

As you plan your required minimum distributions for this year, if you do not need the money the government is requiring you to take, consider using it for a charitable gift using the IRA Charitable Rollover.

Questions and Answers

H.R. 2029, the Protecting Americans from Tax Hikes Act of 2015 permanently extended the IRA Charitable Rollover. Originally passed in 2006 as part of the Pension Protection Act, the IRA Charitable Rollover allows individuals age 70½ and older to make direct transfers totaling up to \$100,000 per year to 501(c)(3) charities, without having to count the transfers as income for federal income tax purposes.

Who qualifies? Individuals who are age 70½ or older at the time of the contribution (you have to wait until 6 months after your 70th birthday to make the transfer).

How much can I transfer? \$100,000 per year. The provision no longer has an expiration date.

From what accounts can I make transfers? Transfers must come from your IRAs directly to USA Hockey, Inc. If you have retirement assets in a 401k, 403b etc., you must first roll those funds into an IRA, and then you can direct the IRA administrator to transfer the funds from the IRA directly to USA Hockey, Inc.

To what charities can I make gifts? Tax exempt organizations that are classified as 501(c) (3) charities, including USA Hockey, Inc., to which deductible contributions can be made.

Can I use the IRA Charitable Rollover to fund life-income gifts (charitable gift annuities, charitable remainder trusts, or pooled income funds), donor advised funds or supporting organizations? No, these are not eligible.

How will USA Hockey, Inc. count the gift? We will give you full credit for the entire gift amount.

What are the tax implications to me?

- Federal — You do not recognize the transfer to USA Hockey, Inc. as income, provided it goes directly from the IRA administrator to us; therefore, you are not entitled to an income tax charitable deduction for your gift.
- State — Each state has different laws, so you will need to consult with your own advisors. Some states have a state income tax and will include this transfer as income. Within those states, some will allow for a state income tax charitable deduction and others will not. Other states base their state income tax on the federal income or federal tax paid. Still other states have no income tax at all.

Does this transfer qualify as my required minimum distribution? Once you reach age 70½, you are required to take required minimum distributions from your retirement plans each year, according to a federal formula. IRA Charitable Rollovers count towards your minimum required distribution from the IRA for the year.

Can my spouse also make an IRA Charitable Rollover, even if we are married and file jointly? Yes, every individual can use the IRA Charitable Rollover for up to \$100,000 each year.

How do I know if an IRA Charitable Rollover is right for me? You are at least age 70½, and:

- You do not need the additional income necessitated by your minimum required distribution, OR
- Your charitable gifts already equal 50% of your adjusted gross income, so you do not benefit from an income tax charitable deduction for additional gifts, OR
- You do not itemize deductions, OR
- You are subject to income phase-outs on your income tax deductions.

What is the procedure to execute an IRA Charitable Rollover? We offer a sample letter you can send to your plan provider to initiate a rollover. Make sure that you contact us when you direct the rollover so we can look for the check from your IRA administrator.

For more information, please contact us.

Important: Be sure to check with your financial advisor to determine whether this provision is right for you. This information is not meant as tax or legal advice.