



Frequently Asked Questions: Charitable IRA Rollover

Now you can reliably plan charitable IRA rollover gifts, year after year. On Dec. 18, 2015, the president signed legislation indefinitely extending the charitable IRA rollover, making it retroactive to Jan. 1, 2015, with no expiration date.

Read below for answers to frequently asked questions about this popular option. Feel free also to call Kate Olney, Director of Development at 802-479-8525 or email kate.olney@vermonthistory.org to learn how the charitable IRA rollover provision can help you support your area of interest at Vermont Historical Society.

FREQUENTLY ASKED QUESTIONS

What is a charitable IRA rollover? The charitable IRA rollover, or qualified charitable distribution (QCD), is a special provision allowing certain donors to exclude from taxable income -- and count toward their required minimum distribution -- certain transfers of Individual Retirement Account (IRA) assets that are made directly to public charities, including the Vermont Historical Society.

Since it was first made available in tax year 2006, many VHS donors age 70 1/2 or older have used this popular option to support the areas of their choice with tax-wise gifts ranging from \$100 to \$100,000.

How does this help me? A charitable IRA rollover makes it easier to use IRA assets, during lifetime, to make charitable gifts.

Why will lifetime IRA gifts be easier? Under current law, withdrawals from traditional IRAs and certain Roth IRAs are taxed as income, even if they are immediately directed to a charity. The donor receives a tax deduction for his or her donation, but various other federal, and sometimes state, tax rules can prevent the deduction from fully offsetting this taxable income. As a result, many donors have chosen not to use IRA assets for lifetime gifts. The charitable IRA rollover eliminates this problem.

What gifts qualify for a charitable IRA rollover? A gift that qualifies, technically termed a “qualified charitable distribution,” is:

- Made by a donor age 70 1/2 or older
- Transferred from a traditional or Roth IRA directly to a permissible public charity, such as the Vermont Historical Society (If giving in this manner, please tell your broker or fund manager to name you as the donor on the transfer, and if your gift is intended for a particular area have the broker specify that as well.)
- Completed during the applicable tax year

Is an income tax deduction also available? No. The gift would be excluded from income, so providing a deduction in addition to that exclusion would create an inappropriate double tax benefit.

Why are Roth IRAs included? Aren't withdrawals from a Roth IRA tax-free? Withdrawals from a Roth IRA may be tax-free only if the account has been open for longer than five years or if certain other conditions apply. Otherwise, withdrawals are taxed as if they came from a traditional IRA. Therefore, certain Roth IRAs could benefit from a charitable IRA rollover.

Can other retirement plans, such as 401(k) and 403(b) accounts, be used? No. However, it may be possible to make a tax-free transfer from such other accounts to an IRA, from which a charitable rollover can then be made.

Can a gift be made to any charity? No. Excluded are: Donor advised funds; Supporting organizations; and Private foundations

Who can benefit from using the charitable IRA rollover to make a gift?

- Persons with significant assets in an IRA
- Persons making gifts that are large, relative to their income. (Because a charitable rollover is not included in taxable income, it does not count against the usual percentage limitations on using charitable deductions.)
- Persons having so few deductions that they choose not to itemize

Can a rollover gift be used to pay my pledged support to Vermont Historical Society? Yes. You can honor your gift pledge to VHS with one or more qualified charitable IRA rollover transfers of up to \$100,000 per person, per calendar year. You can direct your IRA provider to transfer your charitable gift to the Vermont Historical Society quarterly, annually, or other timing that works for you. Simply have your provider indicate that the transfer is a gift from you.

Can a rollover gift be used to fund a charitable remainder trust or charitable gift annuity? No. The donor can receive no benefits in return for the gift. This includes life income plan payments.

What if a withdrawal does not meet the requirements of a charitable IRA rollover? It simply will be included in taxable income as other IRA withdrawals currently are.

Is the charitable IRA rollover right for everyone? While this is a great option, other types of gifts may provide donors with more tax benefits. As with any gift planning question, donors should consult their tax professionals for specific advice.

Can I still make a gift with an IRA beneficiary designation? Absolutely! Whether or not you choose to make a charitable IRA rollover gift, you can still designate the Vermont Historical Society as a beneficiary to receive IRA assets after your lifetime. The lifetime charitable IRA rollover is simply another option for donors who would like to see their philanthropy at work now.

If I made a charitable IRA rollover gift in other tax years, can I do this again for the current tax year? Yes. The current law extends the charitable IRA rollover provision indefinitely -- with no expiration date -- allowing individuals to make qualifying gifts every tax year.

More questions? Contact Kate Olney by phone at 802-479-8525 or email kate.olney@vermonthistory.org.

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* This is not intended to be legal or tax advice. We encourage you to consult your own legal or tax advisor.