

DONATING IRA ASSETS TO COVENANT UMC

HOW IT WORKS

The provision allows retirees age 70½ and older to donate up to \$100,000 tax free from their IRA each year. Generally, when you take a distribution from your IRA, it is treated as taxable income. Under this provision, made permanent in the 2015 federal spending and tax package, those assets are excluded from income if the distribution is made directly to Covenant UMC.

The distribution is not included in your income so you avoid the potential negative consequences that regular IRA withdrawals in retirement can create, including taxes on Social Security benefits. Distributions excluded from income are also equivalent to a 100% deduction. Normally, charitable contribution deductions are limited to a lower percentage (or are eliminated altogether) for taxpayers who do not itemize and take the standard deduction.

TURN YOUR REQUIRED DISTRIBUTIONS INTO CHARITABLE DONATIONS

IRS rules mandate that individuals age 70½ and older take RMDs from their IRA each year, regardless of whether the income is needed. These annual withdrawals are subject to ordinary income taxes. By making a charitable contribution from your IRA, you can satisfy your RMD amount without reporting additional income. This provision may be especially attractive for retirees who don't need all the income from their IRA to meet current living expenses.

HOW YOU CAN BENEFIT

- Generally, in order to claim a charitable deduction, you must itemize your tax return. For retirees who no longer pay mortgage interest, the deductions may be too small to itemize. The provision offers the tax benefits of a charitable contribution without your having to itemize your deductions.
- Charitable deductions are limited by a taxpayer's income — generally up to a maximum of 50% of modified adjusted gross income. By directing your IRA distribution to Covenant UMC, you can avoid this restriction.
- If reporting additional income on your Form 1040 increases your Medicare Part B premiums or negatively affects the taxability of your Social Security benefits, then making a charitable contribution from your IRA may be appropriate.

GUIDELINES FOR DONATING IRA DISTRIBUTIONS TO COVENANT UMC

ELIGIBILITY

IRA account owner must be age 70½ or older at time of IRA distribution in order to take advantage of this provision. Rule applies only to Traditional, Rollover, and Roth IRAs; SEPs and SIMPLE IRAs are generally excluded. Distributions of non-deductible IRA contributions also do not qualify.

ANNUAL LIMIT

Maximum amount of a taxpayer's qualified charitable distribution must not exceed \$100,000 per tax year and may include required minimum distributions (RMDs).

QUALIFICATIONS

Distribution must be made to a qualifying charity; private foundations and donor-advised funds are not eligible. Consult a tax professional for additional information.

DIRECT CONTRIBUTION

The IRA Trustee or custodian must make the distribution directly to the charity. Distributions made payable to the IRA owner and transferred to the charity will not qualify.