

LAST-MINUTE LEGISLATION RENEWS TAX-FREE GIFTS FROM IRAs FOR 2014 ONLY

Gifts must be completed by December 31, 2014

On December 19, 2014 the federal law was renewed allowing persons over age 70½ to make gifts to charity directly from individual retirement accounts (IRAs) without including the distribution as personal income. The law is retroactive for all of 2014 so qualified charitable contributions (QCDs - i.e., those issued directly from the IRA administrator to the charity) made before the renewal are included. *(The new law will expire 12/31/2014 unless renewed. The law has been renewed each year since it was first enacted in 2006, but this is the first time that the renewal has not been extended for two years.)*

Key Points:

- You must be at least **age 70½** when the gift rollover distribution is made.
- The law applies only to **IRA accounts** (either Traditional or Roth). Other plans such as 401(k) or 403(b) plans do not qualify.
- The gift distribution(s) must be made **directly** from your IRA administrator to your church, UM organization or other favorite charity. *(For those with check writing privileges on their IRA accounts, this may be the most efficient way to make gifts directly from an IRA.)*
- Total IRA rollover gifts are limited to **\$100,000 per taxpayer per year**. If married and each spouse has an IRA, then each may gift up to \$100,000 per year.
- The new law applies only to gifts made in **2014**.
- The gift counts toward your **IRA required minimum annual distribution (RMD)**.
- The gift distribution is excluded from your income **for both federal and Minnesota state income tax purposes**. Although you cannot deduct the gift on your income tax return, the distribution is not reported as income so there is no adverse income tax effect. (Effectively, it is similar to having a 100% deduction on the gift.)
- Under this law, IRA gift distributions may **not** be used to contribute to a private foundation, donor advised fund, supporting organization, charitable gift annuity or charitable remainder trust.
- **Retroactive for all of 2014:** This legislation reauthorizes this gift option retroactively to January 1, 2014. Therefore, if you directed your IRA administrator to make a QCD at any time in 2014 directly from your IRA to a charity it will be considered a charitable rollover gift. *(Note: The distribution will not qualify under this legislation if the IRA owner received the distribution and then wrote a check to the charity. Such distributions are income to the owner, and the owner may then claim an itemized deduction for the gift.)*

This gift provision is included in legislation titled “The Tax Increase Prevention Act of 2014.” The forgoing information is provided for informational purposes only and is not intended as financial, tax or legal advice. Individuals will want to discuss this with their own professional advisors and IRA administrators. *(Donors and church administrators may contact the Foundation for assistance and information at 612-230-3337.)*