

Donating from an IRA

You may be able to donate from an IRA and realize significant tax benefits. If you have a traditional IRA, in which a distribution from it must otherwise be included in gross income and be taxed, you can donate this distribution tax-free to a qualified charity, including the SCR Foundation, a 501(c)3 organization. This provision is expected to particularly benefit taxpayers who do not itemize deductions, who want to donate more than they can deduct as a charitable contribution, or who find that excluding the distribution from gross income will allow them to retain other tax benefits, such as allowing a higher percentage of their medical expenses to be deducted or subjecting less of their Social Security income to taxation. The above comments are for your guidance and should not be considered as professional tax advice. Your tax preparer/advisor can advise you how this type of donation may fit your specific situation. The following tax tip gives details on this type of donation.

IRS Tax Tip 2009-23: Special Charitable Contributions for Certain IRA Owners

As an alternative method for donating to a charity, certain taxpayers may transfer funds from their IRA to an eligible charitable organization. Here are ten things taxpayers who are thinking about making such a donation will need to know.

1. The IRA owner must be age 70-1/2 or older.
2. The donor must directly transfer the money tax-free to an eligible organization.
3. The maximum amount that an IRA owner may transfer annually tax-free is \$100,000 to an eligible organization.
4. This option, created in 2006 and recently extended through 2009, is available to eligible IRA owners, regardless of whether they itemize their deductions.
5. Distributions from employer-sponsored retirement plans, including SIMPLE IRAs and simplified employee pension plans – commonly referred to as SEP Plans – are not eligible.
6. To qualify, the funds must be contributed directly by the IRA trustee to the eligible charity.

7. Amounts transferred are not taxable and no deduction is available for the amount given to the charity unless nondeductible contributions are transferred.

8. Not all charities are eligible. For example, donor-advised funds and supporting organizations are not eligible recipients.

9. Transferred amounts are counted in determining whether the owner has met the IRA's required minimum distribution rules. Where individuals have made nondeductible contributions to their traditional IRAs, a special rule treats transferred amounts as coming first from taxable funds, instead of proportionately from taxable and nontaxable funds, as would be the case with regular distributions. If nondeductible contributions are transferred to an eligible organization, a charitable contribution deduction may be allowed if itemizing deductions.

10. More information about qualified charitable distributions can be found in Publication 590, Individual Retirement Arrangements.