

FACING A REQUIRED DISTRIBUTION FROM YOUR IRA?

If you are over age 70½ and have a regular IRA, you are required to withdraw an increasing percentage of your IRA balance each year.

Beginning in 2006, and continuing every year through 2014, it was possible for individuals over age 70½ to make a direct transfer from their IRA to one or more charities. The amount transferred counted towards the mandatory distribution, and it was not included in taxable income. Such a gift was known as a “Charitable IRA Rollover.”

Although Congress has not yet renewed the legislation for 2015, it is expected to do so, retroactive to January 1. As in the past, the legislation would likely be part of a package of other provisions that Congress has been regularly extending.

You could wait until the renewal legislation is enacted before authorizing a transfer, but that may not happen until late December, giving you little time to act. Alternatively, you may authorize the transfer now. In the unlikely event that the legislation is not renewed, the amount transferred would count towards your mandatory distribution, and it would be added to your taxable income. However, you would be allowed a charitable deduction for your gift, and if you are able to use the entire deduction, the deduction, in most instances, would substantially offset the amount added to taxable income.

The Charitable IRA Rollover has been subject to the following conditions since its inception, and those conditions would probably apply to a 2015 renewal as well.

- Rollover gifts to all charities combined cannot exceed a total of \$100,000 for the year.
- The gifts must be made to a public charity such as ours; they cannot be made to a private foundation, a supporting organization, or a donor advised fund.
- The donor cannot receive any financial benefit. This means the gift must be outright, not for a gift annuity or charitable remainder trust that pays income.
- The rollover gift can be used to fulfill a pledge to the charity.

If you are possibly interested in a Charitable IRA Rollover gift, contact Carrie Ogami at giftplanning@punahou.edu or call (808) 944-5845 to learn how to make your gift.

Before you make any gift of retirement assets, we urge you to first consult your attorney or tax advisor. Punahou School's gift planning staff may not render tax or legal advice. If you would like more information concerning charitable giving as a component of estate and/or tax planning, we would be happy to provide you with more specific ideas.