Santa Barbara
CHANNELKEEPER®

Wondering about required distributions from an IRA and how to make a TAX FREE gift? If you are over the age of 70 ½ and have an IRA, distributions are required each year. The funds taken from the IRA are taxed as ordinary income. If a required distribution is not taken, there is a 50% penalty imposed by the IRS.

You can make a gift from the required distribution amount to Santa Barbara Channelkeeper that is NOT TAXED as income. To do this, you ask the IRA (or your financial advisor) for its form which is easy to complete. Simply complete the form and tell the custodian to direct the payment to Santa Barbara Channelkeeper. Of course, you should speak with your financial advisor to determine your best course of action.

IRA Charitable Rollover in 2013

Donors of a certain age have unique opportunities under the Philanthropy Protection Act of 2006, first signed into law in August 2006, extended three times thus far, and generally referred to as the IRA charitable rollover. It provides an especially attractive option for charitable giving for philanthropically minded individuals who attain the age of 70½ in 2013. They can in this designated year use up to $100,000 of IRA assets they own to make an outright gift to one or more favored charities. A husband and wife can both give that full amount in 2013.

The charity has to be public; gifts to donor advised funds, supporting organizations, and private foundations have not qualified for this favorable treatment.

This distribution, which must be made directly from the IRA custodian to a public charity and CANNOT pass first to the donor, can satisfy that plan owner's mandatory distribution for that year.

There is no income-tax deduction for that gift to charity because that IRA fund balance has never been taxed, but that donor does not have to include the IRA distribution in income taxes for the year the withdrawal is given to charity. This is most attractive for individuals with IRA assets they don't foresee needing who wish to satisfy a charitable desire, to witness their gift being used during lifetime, to begin to reduce estate size and complexity, and to endow their annual support to one or more valued charities.

This option has been available only during specified years and now ends on December 31, 2013. But each time this legislation has passed, it has passed with retroactive application, back to the beginning of that tax year for individuals at least 70½ years of age. The provisions of this Act will expire on December 31, 2013, but the Act has been renewed before so that, too, is possible for future years. As such, donors age 70½ and older who have IRA assets can still utilize this technique: if it does not pass this year for future years, they are no worse off, and would be taxed on the withdrawal with a corresponding charitable income-tax deduction; if it does pass, they benefit with retroactive application as each time before. This gifting option may enjoy greater use in 2014 and subsequent years for donors whose taxable income is close to subjecting them to additional taxes under the Affordable Care Act.