

How to Make a Gift Using the IRA Charitable Rollover

- Q. What does it mean that the Rollover is now permanent?**
- A. As a result of the enactment of federal legislation entitled “Protecting Americans from Tax Hikes Act of 2015”, the IRA Charitable Rollover provision has been permanently authorized and is no longer subject to annual Congressional action. This means people aged 70 ½ years or older with IRA assets can reliably plan to use them to accomplish their philanthropic goals.
- Q. How much can I give and still take advantage of the tax-free benefits of the law?**
- A. The maximum amount that can be excluded from an IRA owner’s reportable income is limited to \$100,000 per taxpayer per year.
- Q. Who can exclude IRA Charitable Rollovers from taxable income?**
- A. The exclusion applies to individuals who have reached age 70 ½ as of the date of the rollover distribution.
- Q. My spouse also supports Bowdoin. Can we both take advantage of the IRA Charitable Rollover?**
- A. Yes. The amount that can be excluded from income is limited to any amount up to \$100,000 per taxpayer per year. As a married couple, you can together donate up to \$200,000 in each tax year, provided that you each own at least one IRA and have reached age 70 ½.
- Q. Do I have to pay state or local taxes on my IRA Rollover?**
- A. You may – states and municipalities differ on whether you need to include the charitable rollover in your taxable income.
- Q. If I direct an IRA Charitable Rollover to Bowdoin, do I get a charitable tax deduction?**
- A. No. The IRA Charitable Rollover allows individuals to avoid paying income taxes that were deferred when the funds were deposited. As a result, you cannot take a charitable deduction. However, you will not be required to include the rollover in your gross income, thereby potentially avoiding any effect the distribution might have on your tax bracket and/or any limitations imposed on itemized deductions.
- Q. If I direct a rollover gift from my IRA, how does this affect my required minimum distribution?**
- A. On January 1, 2020 a new law, Setting Every Community Up for Retirement Enhancement (SECURE) was enacted which, among other things, increases the age at which an individual must begin taking required minimum distributions (RMD) from 70 ½ to 72. Those individuals who were 70 ½ before January 1, 2020, are grandfathered under the prior law and may deduct the amount of their IRA rollover gift(s) from the amount of their required minimum distribution. Individuals who turn 72 after the effective date of SECURE may also deduct the amount of the IRA rollover gifts from the amount of their RMD. For those who are 70 ½ and are not subject to the RMD who are continuing to make tax deductible contributions to an IRA, the maximum amount of a rollover gift (\$100,000) is reduced by the amount of their tax deductible contributions to their IRA.
- Q. Does Bowdoin or my IRA plan administrator provide me with proof of my rollover distribution and how do I capture the gift on my tax return?**

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A. You will receive a 1099-R from your IRA plan administrator reporting the gross distributions from your IRA account during the tax year. Taxpayers need to report the gross amount of their IRA distribution on line 15a of IRS Form 1040. Line 15b reflects the taxable distribution. Taxpayers account for their charitable distribution by writing the letters “QCD” to the right of the amount reported in line 15b. Visit bowdoin.edu/IRA for links to some guidance on these and other tax questions. Bowdoin will provide you with a gift acknowledgment letter.

Q. Can my IRA Charitable Rollover satisfy an outstanding pledge to Bowdoin or establish or add to a named endowed fund?

A. Yes, you may satisfy a current pledge, make a new gift, or add to an existing endowed fund at Bowdoin.

Q. Can my IRA Charitable Rollover be used with a corporate matching gift?

A. Possibly. Each corporate matching gift program is different. You should check with your matching gift program.

Q. Can I direct an IRA Charitable Rollover to Bowdoin and establish a life income gift with it?

A. No. You can only fund outright gifts. The federal law authorizing the IRA Charitable Rollover does not allow it to be used to fund life income gifts (e.g., charitable gift annuities or charitable remainder trusts). However, you could take a distribution from your IRA and then use it to fund a life income gift. This would entail taking the distribution into income and then using any available charitable tax deduction. Talk with your advisors about whether this is a good option for you.

Q. Can I direct a charitable rollover from my Roth IRA?

A. Yes, but if you itemize deductions on your taxes, you will be better off taking a tax-free withdrawal from your Roth account and then making a gift to Bowdoin. Because you already paid income taxes on the funds you deposited in your Roth IRA, you can take advantage of any available charitable tax deduction on a gift made this way – but not if you use the IRA Charitable Rollover. If you don’t itemize deductions, the charitable rollover may be more convenient for you and you won’t lose any tax benefits.

Q. Can I use funds withdrawn from other qualified tax-deferred retirement accounts?

A. No. The provision only provides a benefit for owners of an IRA or Roth IRA. Other forms of retirement plans such as 401(k)s and 403(b)s, pensions, profit sharing plans, Keogh plans, and employer- sponsored SEP IRAs and Simple IRAs are not eligible. However, you may be able to roll assets from a 401(k), a 403(b) or a Keogh plan into a traditional IRA in order to take advantage of the charitable rollover. However, if you are currently taking distributions from a company-sponsored plan, you must first take your required minimum withdrawal for the year before doing a rollover and using the qualified charitable distribution in future years. Talk to your financial advisor and/or retirement plan administrator for details and advice.

Q: How do I make a charitable rollover to Bowdoin?

A. Contact your IRA account administrator to request a charitable rollover from your IRA to Bowdoin. Ask that the rollover be sent directly to Bowdoin College at the address below with your name on the memo line.

Q: Can I talk to someone at Bowdoin about my IRA Charitable Rollover?

A. Contact Bowdoin’s Office of Gift Planning by emailing giftplanning@bowdoin.edu or call 207-725-3172, if you have further questions.

Please consult your tax or financial advisor regarding your specific circumstances.

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