



## CHARITABLE IRA ROLLOVER

### Permanent Law in 2015

On December 18, 2015, the Federal government permanently extended the charitable IRA rollover allowing donors age 70 ½ or older to make charitable contributions from IRAs to qualified charitable institutions.

### What is a charitable IRA rollover?

The charitable IRA rollover, or qualified charitable distribution (QCD), is a special provision allowing certain donors to exclude from taxable income – and count toward their required minimum distribution – certain transfers of Individual Retirement Account (IRA) assets that are made directly to public charities, including the SDSU Foundation.

Since it was first made available in tax year 2006, many Jackrabbit supporters age 70 ½ or older have used this popular option to support the areas of their choice with tax-wise gifts ranging from \$100 to \$100,000.

### How does this help me?

A charitable IRA rollover makes it easier to use IRA assets during one's lifetime to make charitable gifts.

### What gifts qualify?

Called a "Qualified Charitable Distribution" (QCD), a qualifying gift is:

- Made by a donor age 70 ½ or older.
- Transferred from a traditional or Roth IRA directly to a qualified public charity, such as the SDSU Foundation.
- Completed during the applicable tax year.

### What about the required minimum distribution (RMD)?

With passage of the SECURE Act in December 2019, the minimum RMD age was raised to 72 as of 2020. If you have not already taken your RMD in a given year, a qualifying rollover gift can count toward satisfying this requirement.

### Is there a limit on the amount that can be given?

Yes, the limit is set at \$100,000 per tax year for outright contributions. You may give beyond your RMD amount (but no more than \$100,000 annually).

### Is an income tax deduction also available?

No. The gift would be excluded from income, so providing a deduction in addition to that would not be allowed by the IRS.

### Why are Roth IRAs included? Aren't withdrawals from a Roth IRA tax-free?

Withdrawals from a Roth IRA may be tax-free only if the account has been open for longer than five years, or if certain other conditions apply; otherwise, withdrawals are taxed as if they came from a traditional IRA. In such cases, certain donors could benefit from this law as it applies to their Roth IRA.

### Are other retirement plans, such as 401(k) and 403(b) accounts, included?

No. However, it may be possible to make a tax-free transfer from such other accounts to an IRA, from which a charitable rollover can then be made.

### **Can a SEP or Simple IRA qualify for a QCD?**

There is an exception for the SEP-IRA or a SIMPLE IRA. If the employer has made a contribution to these accounts during the taxable year, a charitable IRA rollover is not permitted. However, if an employee has retired and the employer is no longer making contributions to the SEP-IRA, then it qualifies for the IRA rollover.

### **Can a gift be made to any charity?**

No. Excluded are:

- Donor Advised Funds
- Supporting Organizations
- Private Foundations

### **Who can benefit from using the charitable IRA rollover?**

- Persons making gifts that are large, relative to their income. Because a charitable rollover is not included in taxable income, it does not count against the usual percentage limitations on using charitable deductions.
- Persons who do not itemize deductions
- Persons with significant IRA assets

### **Is the charitable IRA rollover right for everyone?**

While this is a great option, other types of gifts may provide donors with more tax benefits. As with any gift planning question, donors should consult their tax professionals for the final answer to that question. Our expert gift planning team is available to you and your advisors as you make a decision.

### **What if a withdrawal does not meet the requirements of a charitable IRA rollover?**

It will simply be included in taxable income as other IRA withdrawals currently are.

### **Can a rollover gift be used to pay my pledge made to SDSU?**

Yes. You can honor your gift pledge to SDSU with one or more qualified charitable IRA rollover transfers of up to \$100,000 per person per calendar year. Ask your provider to indicate the transfer is a gift from you so we can properly identify the gift when it arrives and provide you the important gift documentation required for your records.

### **Can a rollover gift be used for a gift to the Jackrabbit Club?**

You can utilize the rollover to support Jackrabbit Athletics, as long as no benefits are received in exchange. Thus, the required minimum for Jackrabbit Club memberships and payments for seat licenses are not eligible for qualified charitable distributions from IRAs.

### **Can a rollover gift count toward my lifetime giving?**

Yes. The only permissible benefits from a charitable IRA rollover gift are those that would not reduce the tax deduction for which the donor would have otherwise qualified. At SDSU, a charitable IRA rollover gift is allowed to count toward naming opportunities and recognition society memberships.

### **Can a rollover gift be used to fund a charitable remainder trust or charitable gift annuity?**

The answer is: not yet. The *Legacy IRA* bill is being worked on in Congress ([www.charitableira.org](http://www.charitableira.org)). It would allow donors possibly as young as age 65 to do just that. Charitable gift annuities are also a possibility if this legislation gets enough congressional support.

### **Can I still make a gift with an IRA beneficiary designation?**

Absolutely! You can always name a charity like SDSU as an account beneficiary. Please include our gift planning team in beneficiary conversations so we can be sure the gift is allocated to match your intent.

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*We would be honored if you would consider a gift for South Dakota State University. Please contact your IRA custodian for the necessary form to transfer your desired gift amount, then contact the SDSU Foundation to ensure the proper allocation is documented for the program or college you wish to support. If you have questions or need additional information, please contact the SDSU Foundation by phone at (888) 747-7378 or (605) 697-7475.*