

USING YOUR IRA TO “LEAVE A LEGACY®”

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Non-profit organizations know all too well how charitable tax incentives can encourage and promote charitable giving. The gifts charities receive in turn strengthen the charitable sector and lessen the need for government support of private sector responsibilities. If organizations are to significantly augment the efforts of state and federal governments to provide for the poor and otherwise promote charity, education and culture, they will need to rely on the generosity of individual donors.

For many individuals, the IRA assets they accumulated under favorable market conditions have exceeded their expectations – and needs – and have become less necessary for their retirement. These funds could be used, at least in part, for charitable giving. Indeed, excess IRA assets represent a very large, untapped source of potential support for the nation’s charities. Currently there is more than an estimated \$1 trillion in IRA accounts and \$5 trillion in defined contribution accounts, which can be rolled into IRA accounts. Unfortunately for many of those individuals and the charities they hope to support, current law presents serious tax *disincentives* to such gifts.

One of the most interesting proposals for creating favorable tax incentives to promote charitable giving is the IRA Charitable Rollover. Currently, if a donor withdraws funds from a traditional IRA in order to contribute to a charitable organization, the withdrawal must be reported as ordinary income and taxed at regular income tax rates. Once the contribution has been made, the donor may be entitled to an income tax deduction that could offset some or all of the taxable income generated by the withdrawal, however, there is no separate tax incentive to encourage transfers from IRAs to charities.

The general principle of the IRA charitable rollover proposal is to allow individuals to donate IRA assets as outright or life income gifts with favorable tax treatment. If IRA funds were rolled over directly to the charity as an outright gift, they would not be subject to income tax on these withdrawals. If the IRA funds were rolled over as a life income gift (e.g., charitable remainder trusts, pooled income funds, gift annuities), the charitable portion of the gift would be nontaxable, but the yearly life income payments would be subject to income taxes. In either case, the donor would receive a charitable deduction only to the extent those after-tax dollars had been contributed to the IRA. This legislation would encourage potential donors to draw upon a new source of assets in support of charitable organizations that serve the public good.

For several years, the Treasure Coast Planned Giving Council has supported tax-friendly incentives to help promote giving to area residents. While this rollover provision has been talked about for years and been in previous legislation; recently, the House Ways and Means Committee gave its approval of H.R. 7, the Charitable Giving Act. After several hours of debate on the legislation, and on several amendments offered by members of the committee, the legislation passed by voice vote. The bill is expected to be scheduled for debate and votes on the House floor shortly.

The legislation includes the IRA charitable rollover and would allow donors who have reached age 70 1/2 to make tax-free transfers from their IRA either directly to a charity, or to establish a charitable gift annuity, charitable remainder trust, or to a pooled income fund.

The IRA rollover for charitable purposes is good public policy: It would give donors access to new resources for the support of charitable organizations and their public service mission; and it would realign tax treatment on IRA assets to match current tax laws that apply to other assets donated to charity.

All Americans should have the opportunity to use their IRA assets for charitable purposes to **'leave a legacy' to their chosen charity** without suffering adverse tax consequences. For more information about how you might use your IRA assets to support your favorite cause, ask your tax advisor to keep an eye on this important legislation! The National Committee on Planned Giving and the Treasure Coast Planned Giving Council believe that donors would draw upon these assets to make appropriate charitable gifts in support of organizations that serve the public good.

Leave A Legacy® is a community-based public awareness program that encourages individuals, couples and families from all walks of life to work with development officers at their favorite charities, trusted estate planning and financial advisors on ways to include charitable bequests or planned gifts in their will or estate plan. The program is a project of the **National Committee on Planned Giving (NCPG)** with over 150 local programs operating throughout the U.S. and Canada implemented in local communities by representatives of charitable organizations, financial and estate planning advisors, businesses and the media. Locally the program is sponsored by the **Treasure Coast Planned Giving Council (TCPGC)**, supported by the **Martin County Community Foundation (MCCF)** and other strategic partners in cooperation with the **Treasure Coast Chapter of the Association of Fundraising Professionals (AFP)**.

For information about Leave A Legacy® visit the web site at www.leavealegacyflorida.org, or call James Campo, Certified Financial Planner, president of TCPGC at 772-286-0330.

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