

Frequently Asked Questions for IRA Rollover Gifts

Glossary of acronyms that may be used when discussing IRA Rollover Gifts:

QCD — Qualified Charitable Distribution

RMD — Required Minimum Distribution

AGI — Adjusted Gross Income

What is *Protecting Americans from Tax Hikes (PATH) Act of 2015*?

This bill made permanent the provision that permits tax-free distributions to charity from an Individual Retirement Accounts (IRA) of up to \$100,000 per taxpayer, per taxable year.

What is a Qualified Charitable Distribution (QCD)?

Any distribution from a traditional IRA made directly by the IRA administrator to the Mercy Foundation (or any charitable organization) that would have been taxable if distributed to the plan participant.

Does anyone who wants to make a charitable distribution from their IRA qualify for a QCD?

No. You must have reached age 70½ by the date of the contribution. It is important to distinguish this rule from the rule that requires plan participants to begin receiving the Required Minimum Distributions (RMD) in the same year they attain age 70½.

What are the effective dates for making a charitable distribution from my IRA?

Charitable gifts from an IRA may be counted as a gift in each calendar year if they are delivered or postmarked to the Mercy Foundation no later than Dec. 31st.

Are there limitations on the amount?

Yes. The amount that can be excluded from a plan owner's income is limited to \$100,000 per taxpayer per year. Therefore, a married couple could donate up to \$200,000 provided each spouse owns at least one IRA and can each make a qualified charitable distribution of \$100,000 from their plans.

Can I designate this IRA distribution to a specific program(s) or scholarship(s)?

Yes, in most cases. However, you may not receive any quid pro quo benefits in exchange for your contribution.

Does the distribution fulfill my plan's Required Minimum Distributions (RMD)?

Yes. If, for example, you are required to withdraw 5% from your IRA for the year, you can direct the entire amount to the Mercy Foundation in satisfaction of the RMD.

Who is the donor — me (the plan participant) or the plan?

You, the individual/plan participant, are the donor of the QCD.

Do I receive a tax deduction for a charitable distribution from my IRA?

No. You do not receive a tax deduction for the charitable distribution.

So what are the advantages of making a charitable distribution from my IRA?

Advantages will vary based on individual circumstances. As always, we recommend that you consult your professional tax advisor. In general, per current tax law, charitable deductions are limited to 50% of a donor's Adjusted Gross Income (AGI). By making a charitable distribution from your IRA, you will be able to make charitable contributions beyond the above limit without any added tax consequences.

Are other retirement plans eligible within the *Protecting Americans from Tax Hikes (PATH) Act of 2015*?

No. The exclusion applies to traditional IRAs only. Other forms of retirement plans such as 401(k), 403(b) annuities, defined benefit and contribution plans, profit sharing plans, Keoghs, and employer-sponsored SEPs and SIMPLE plans are NOT eligible. However, some of the non-eligible plans may afford the opportunity for rollover into an IRA. You should visit with your plan administrator to explore this option.

Can the IRA distribution check be made payable to the individual/plan participant, who then endorses the check to the Mercy Foundation?

No. In order to qualify for the exclusion, the check must be payable directly to the Mercy Foundation.

Can I direct this IRA distribution to a donor advised fund?

No. The *Protecting Americans from Tax Hikes (PATH) Act of 2015* does not provide this opportunity.

Can I direct this IRA distribution to a charitable gift annuity or a charitable remainder unitrust?

No. The *Protecting Americans from Tax Hikes (PATH) Act of 2015* does not provide this opportunity. No. Charitable gift annuities and charitable remainder trusts are examples of giving vehicles that are not eligible to receive qualified charitable distributions. Further, because individuals cannot receive a benefit in return for an IRA distribution, any contribution donors make in return for a charitable gift annuity would not be eligible for the tax-free treatment.

Can I designate this IRA distribution to pay on an existing pledge commitment?

Yes. The Mercy Foundation will follow the same approach as used for the payment of an existing pledge through a donor-advised fund. We will record the charitable distribution from the IRA as an outright gift and write-off the corresponding donor pledge.

Will I receive a acknowledgement for the gift?

Yes. As such, the Mercy Foundation will provide written acknowledgment to the donor shortly after the gift is received.

Donor Alert! It is very important for donors to inform the Mercy Foundation if they are making an IRA rollover gift. Due to certain confidentiality policies, some plan administrators may not be allowed to inform the Mercy Foundation of the donor's gift.

Please note that some Plan Administrators may require a Notary Public Signature or a Medallion Signature Guarantee