H.R. 2029, the Protecting Americans from Tax Hikes Act of 2015 permanently extended the Qualified Charitable Distribution, also known as, “IRA Charitable Rollover.”

Originally passed in 2006 as part of the Pension Protection Act, the IRA Charitable Rollover allows individuals age 70½ and older to make direct transfers totaling up to $100,000 per year to 501(c)(3) charities, without having to count the transfers as income for federal income tax purposes. makes the charitable IRA rollover (also referred to as a “qualified charitable distribution”) permanent for future years.

**A few points to consider:**

(1) The charitable IRA rollover is only available for gifts from an IRA and not from any

other type of retirement plan (e.g. 401(k), 403(b), SEP, Keogh, ESOP, etc.). In some

cases, a donor may transfer assets from another type of retirement account into an IRA

in order to be able to make a tax-free IRA rollover to a charity.

(2) It is only allowed for outright gifts to a qualified public charity like **Northwestern Michigan College Foundation** for which the donor receives no benefits. It is not allowed for a charitable remainder trust, lead trust, gift annuity, pooled income fund, donor advised fund, supporting

organization, family foundation, etc.

(3) It is only allowed for donors who are at least 70 ½ years of age on the date of the gift.

(4) Charitable IRA rollovers are allowed for up to $100,000 in total during each year from

the donor’s IRA or IRAs.

(5) There is no federal income realized and no income tax deduction for the donor

making a charitable IRA rollover (unless the rollover is made from documented taxable

contributions).

Since a charitable IRA rollover does not result in higher adjusted gross

income, it may eliminate the negative impact of higher income on existing charitable

deductions, loss of deduction under the Pease Amendment (3% reduction of deductions),

higher Medicare premiums, self-employment and Social Security taxes, and application

of the Affordable Care Act’s 3.8% tax and other “high income” tax penalties.

State income tax treatment -- Some states treat the charitable IRA rollover as income

followed by a deduction but this varies state to state so please check with your advisors.

(6) Taxpayers who normally only take the standard deduction (those who don’t itemize

and therefore, don’t get to take charitable deductions) will get the equivalent of a

charitable deduction for their rollover gift in addition to their standard deduction.

(7) The charitable IRA rollover should be directly transferred from the plan

administrator (a.k.a. custodian or trustee) of the IRA to the charity **Northwestern Michigan College Foundation.** The donor should not accept any distribution of funds intended for a

charitable IRA rollover.

Example: Suppose John wants to make a contribution to **Northwestern Michigan College Foundation**. He has $500,000 in his IRA and he wants the contribution to be $20,000. He can authorize the administrator of his IRA to transfer $20,000 to **Northwestern Michigan College Foundation** and $5,000 to himself. The $20,000 distributed to **Northwestern Michigan College Foundation** will not be subject to federal tax and will be counted toward his annual minimum required distribution.

As you plan your required minimum distributions for this year, if you do not need the money the government is requiring you to take, consider using it for a charitable gift using the IRA Charitable Rollover.

Further Information: A testamentary gift of an IRA to **Northwestern Michigan College Foundation** may be more appropriate for those donors who do not have sufficient assets to comfortably consider a lifetime charitable IRA rollover.

This can be done by naming **Northwestern Michigan College Foundation** as a primary or contingent beneficiary of the IRA on a “beneficiary designation form” available from the IRA’s plan administrator. An IRA can also be left to fund a “life income gift” (gift annuity or charitable remainder trust) for a loved one.

Contact information: For questions or to notify **Northwestern Michigan College Foundation** about a charitable IRA rollover and gift use, please contact:

**Rebecca M. Teahen, CFRE, Executive Director for Resource Development & NMC Foundation, Northwestern Michigan College, Founders Hall, 1701 E Front St, Traverse City, MI 49686** **Phone: 231-995-1021 Email: rteahan@nmc.edu**

Sample letter to direct a Qualified Charitable Distribution from an IRA to **Northwestern Michigan College Foundation**

Date:

Name of IRA Custodian

Address

City, State, Zip Code

Re: Charitable IRA Distribution to **Northwestern Michigan College Foundation**

Dear Custodian, Trustee or Plan Administrator:

I hereby direct you to make a Qualified Charitable Distribution (sometime called a “charitable IRA rollover”), of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to **Northwestern Michigan College Foundation,** a 501(c)(3) public charity that is qualified to receive charitable IRA distributions under the provisions of the Section 408(d)(8) of the Internal Revenue Code. This rollover should be made from the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (name on IRA account), account number \_\_\_\_\_\_\_\_\_\_\_\_.

It is my intent to make this charitable Qualified Charitable Distribution for tax year 2017. I further represent as follows:

(1) I am over 70 ½ years of age. My date of birth is: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

(2) I will not receive any benefits from **Northwestern Michigan College Foundation** as a result of this distribution. This distribution is not directed to a charitable remainder trust, lead trust, gift annuity, pooled income fund, donor advised fund, supporting organization, family foundation, or other non-qualified use of a charitable IRA distribution.

(3) I understand that a charitable IRA distribution is limited to no more than $100,000 in

total from my IRA or all of my IRAs combined.

(4) I will not incur any federal income tax liability as a result of this distribution therefore, I elect out of withholding for this distribution. I will not accept any personal distribution of funds intended for this charitable IRA rollover.

Thank you for your prompt attention to this matter. Please contact me immediately with any

questions or the reasons for any substantial delay in completing this rollover.

Sincerely,

Donor’s name as listed on the IRA

This charitable IRA distribution to **Northwestern Michigan College Foundation** should be delivered to: **Rebecca M. Teahen, CFRE, Executive Director for Resource Development & NMC Foundation, Northwestern Michigan College, Founders Hall, 1701 E Front St, Traverse City, MI 49686** **Phone: 231-995-1021 Email:** rteahan@nmc.edu

**SAMPLE - CHARITY IRA ROLLOVER ACKNOWLEDGMENT LETTER**

**(Source: Crescendo Gift Law)**

**(Sent from Charity to Donor After Gift Is Received)**

[DATE]

[Name of Donor]
[Charity Street Address]
[City, State, Zip Code]

Subject: IRA Rollover Gift for [Insert Year]

Dear [Name of IRA Rollover Gift Donor]:

Thank you for your IRA Charitable Rollover gift. An IRA rollover gift may comply with the "Qualified Charitable Distribution (QCD)" requirements of Section 408(d)(8) of the Internal Revenue Code.

Your QCD gift, in the amount of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, was transferred directly from your IRA custodian [Name of Custodian] located in [City, State of Custodian].

Please accept this letter as a contemporaneous written acknowledgement of the following: (1) no goods or services were provided in exchange for your QCD; (2) our organization is a qualified public charity and therefore we may receive your QCD; and (3) your QCD is a gift to us for general purposes or to a designated fund, and not to a donor advised fund or a supporting organization.

Thank you again for this generous gift through an IRA charitable rollover.

Please feel free to contact me if you have any questions.

Cordially yours,

[Signature of Gift Planner]
[Title of Gift Planner]
[Name of Charity]
[Address of Charity]
[Charity City, State, Zip]