

[Jeff Lydenberg](#) - Fri, 11/18/2016 - 00:00

Since its temporary inclusion in the Pension Protection Act of 2006, Congress has extended the IRA charitable rollover provision in two-year increments through 12/31/2014. Congress did not extend the provision before it expired at the end of 2014. That all changed at the end of 2015 when the House and Senate passed, and the President signed into law, the Protecting Americans from Tax Hikes (PATH) Act. The PATH Act made the IRA charitable rollover permanent.

Now is a good time to review the impact of permanent adoption of the IRA charitable rollover on its first anniversary. In urging permanent adoption of the IRA charitable rollover, Independent Sector authored a [letter](#) to the chairs of the House and Senate finance committees. Independent Sector reported that the IRA charitable rollover incentive led to Jewish Federations receiving in excess of \$40 million even prior to permanent adoption of the provision. Reliable data on the additional revenue generated by the IRA charitable rollover is hard to come by. Nonetheless, it is likely that every person reading this article is aware of at least modest activity in realized IRA charitable rollover gifts.

When to Market IRA Charitable Rollovers

The on again, off again nature of extension of the IRA charitable rollover made messaging about this gift an end of year staple. Permanent adoption of the law has changed that.

An IRA owner must begin taking required minimum distributions (RMD) from a traditional IRA account beginning at age 70 ½. These distributions are taxable as ordinary income and many IRA owners either do not want or need the distributions. That is why one of the most attractive features of the IRA charitable rollover is that the rollover amount satisfies the donor's RMD.

It makes sense that the best time to talk to donors about making IRA charitable rollover gifts is before they take their required minimum distribution. The penalty tax for failure to take the required distribution is one of the highest of all tax penalties, 50%! For that reason, some people will take their RMD as soon as they know how much they need to take out. On the other hand, if a donor does not need

the money, the RMD grows tax-free in the IRA all year long. These folks may not take their RMD until late in the year.

So when is the most effective time of the year to market the IRA charitable rollover? The answer is pretty much all year. Early each year and again late in the year, remind donors of the benefits of an IRA charitable rollover. It is hard to get donors to focus during summer holidays and vacations. Nonetheless, a brief reminder in a thank you for an annual gift, or a call out in your organization's news media keeps the IRA charitable rollover top of mind all year long.

The New Normal

Permanent passage of the IRA charitable rollover means it should be a part of every gift solicitation. Whether it is an annual gift or a multi-year pledge, remind those donors over 70 ½ to consider using the rollover to make a tax-free gift. The annual limit for IRA charitable rollovers is \$100,000 per year. Keep in mind that for a married couple where both spouses have traditional IRAs, they could contribute up to \$200,000 per couple using the IRA charitable rollover and satisfy their RMD to make a tax-free gift.

Like so many non-traditional giving techniques, questions about and attention to the IRA charitable rollover tend to end up with the planned giving specialists. This is true even though many of these ways of giving are not planned giving *per se*. Train all fundraising staff, especially annual fund, major gifts, and principal gifts officers to suggest making gifts using the IRA charitable rollover technique. Spread the word and this unique and powerful giving technique will continue to grow.

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