

Giftgiving to Pathfinder Church By IRA Charitable Rollover Contribution Approach

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The IRA Charitable Rollover Contribution Approach is a very effective way to reduce your federal and state income taxation on any contributions to our church.

This approach can only be utilized by taxpayers who are 70 1/2 or older and also have a traditional Individual Retirement Plan (IRA) account.

- This gifting approach is not applicable for Roth IRA programs.
- This approach does not apply for 401(k) Retirement Benefit/Income Plans; and/or 403(b) Retirement Benefit/Income Plans.

The IRA owner/account holder must have attained age 70 1/2 on or before the date of the charitable rollover contribution distribution from his/her account to qualify for the favorable tax treatment under this IRS provision (i.e. not merely turning age 70 1/2 sometime later that same year.)

A qualifying IRA Rollover Contribution will also count towards fulfillment of your minimum annual distribution requirement for your IRA account.

What Is A Charitable IRA Rollover Contribution?

A Charitable IRA Rollover Contribution simply means a direct transfer of funds from your IRA Retirement Account to the church for contribution purposes:

- An IRA Contribution is transferred directly from your IRA Account to the church on your behalf by the IRA Plan Administrator.
- The check for the IRA rollover contribution/distribution will be made payable to the church (not your name).
- The IRA distribution check can either be forwarded directly to the church or mailed to you by the IRA Administrator for transfer/delivery to the church.

What Are the Tax Advantages Provided by IRA Charitable Rollover Contribution?

Any withdrawals or distributions from your traditional IRA Plan Account (including your withdrawals to meet the minimum annual distribution requirement) are generally considered to be taxable income for federal and state income taxation.

The only exception to this rule is that the amount of any qualifying IRA Rollover Contribution to our church (or any other qualified charitable organization) will be excluded from your consolidated income/earnings for both federal and state taxation purposes.

As a result, you do not pay any federal or state income tax on your qualifying IRA Rollover Contribution to our church, even if you don't file an itemized tax return.

The tax-free IRA Rollover approach applies for:

- Your contributions to the Capital Campaign as well as,
- Your regular weekly/monthly church contributions for 2018 and future calendar years.

This gifting approach generally results in a direct tax savings or reduction to you of at least 14% to 26% of your contribution amount.

The tax savings provided by this gifting method could potentially allow you to increase your giving levels to both the Capital Campaign and your regular church contribution without any additional out-of-pocket cost to you.

Additional Tax Benefits Provided by IRA Charitable Rollover Contribution

A qualifying IRA Rollover Contribution will also count towards fulfillment of your minimum annual distribution requirement for your IRA account.

You could potentially meet the minimum annual distribution/withdrawal requirement for your IRA account every year through tax-free IRA rollover contributions to our church.

Depending on the variables involved with your other retirement income levels, this benefit could also potentially result in lower income tax liabilities on your other retirement income (i.e. social security, pension, annuities, etc.) beyond the direct savings for your IRA Contributions.

Maximum Annual Limits on IRA Charitable Rollover Contributions

The Maximum Annual Limitation on your Individual IRA Rollover Contribution level is \$100,000 per year.

For Joint Tax Filers (married couples) the Maximum Annual Limit doubles to \$200,000.

Frequently Asked Questions Related to Charitable IRA Rollover Contributions:

Question 1: Who can benefit from using the Charitable IRA Rollover Contribution provision?

Answer 1: The following Donors will benefit from making IRA Rollover Contributions to the church:

- Anyone over age 70 1/2 who has significant retirement savings in an IRA Account.
- Taxpayers who will no longer benefit from claiming their church contributions (i.e. either regular or capital campaign) as an itemized deduction for federal income tax filing purposes.
- Taxpayers who want to avoid paying federal and state income tax on their required minimum annual distributions or any other withdrawal from their IRA.

Question 2: Can I make an IRA Rollover Contribution to the church for purposes of both:

- a gift to the Capital Campaign fund; and
- also, to cover my regular weekly church contributions for the same year.

Answer 2: Yes, if you meet the age 70 1/2 eligibility level, you can make a single IRA Rollover Contribution from your IRA account and designate how you want that gift to be divided by the church between the Church's annual budget and the Capital Campaign. or

You could also make multiple IRA Rollover Contributions to the church during a year and direct those contributions to the designated church funds.

Question 3: When can I make the IRA Rollover Contribution? or Is there any required schedule or timing restrictions on the IRA Contribution approach?

Answer 3: No, there is no time restriction or regulations regarding the timing of your Rollover Contribution, except as referenced earlier. You can make an IRA Rollover Contribution to the church at any time during the year (or multiple times if desired).

The only timing limitations is that the IRA Contribution for a given year must be made by December 31st of the same year.

Question 4: Can I make a Charitable Rollover Contribution from my monthly pension income or from my 403(b) Retirement Savings Plan account?

Answer 4: No, unfortunately, the applicable IRS tax regulations do not permit tax-free treatment of charitable donations/contributions from any other type of retirement benefit program including pension income/benefit plans, 401(k) retirement savings plans, or 403(b) retirement savings plans.

However, Retirees who still maintain their retirement savings account in their former employer's 401(k) or 403(b) Retirement Savings Plans can arrange for a tax-free Rollover of their account funds to an Individual Retirement Plan (IRA) to take advantage of this tax benefit.

Question 5: Can I utilize an IRA Rollover Contribution as an income tax deduction for Itemized Deduction, on Schedule C of my federal income tax filing?

Answer 5: No, the IRA Rollover Contribution to the church is not taxable income and therefore, the Donor cannot claim a tax deduction for that IRA contribution.

Question 6: Does this tax advantage also apply for Michigan State Income taxation purposes?

Answer 6: Yes, but indirectly. There is no specific income tax exemption provision for Charitable IRA Rollover Contributions under the Michigan State Income Tax Regulations.

However, the income exclusion under the federal income tax filing also reduces your taxable income level for Michigan State income tax filing purposes. The methodology for computing the Michigan State income tax obligation begins with your Adjusted Gross Income from your federal income tax return which means that you receive the same tax advantage for Charitable IRA Rollover Contributions as provided under the federal tax regulations.

Disclaimer Statement:

This presentation was developed for informational purposes only and should not be considered or viewed as professional financial, tax or legal advice.

We strongly recommend that any of you who are interested in the utilization of any of the contribution alternatives discussed during the meeting/workshop obtain advice from professional financial, tax, or legal advisors.