

IRA rollover window still open

On Oct. 3, President Bush signed into law, as part of the Emergency Economic Stabilization Act of 2008, an extension of the charitable IRA legislation. Originally enacted in the Pension Protection Act of 2006, this legislation provided people aged 70½ or older with tax incentives for charitable rollovers. This provision was in place during 2006 and 2007 but had expired as of Dec. 31, 2007. With the extension, however, people can continue making gifts through 2009.

Thanks to the reinstated legislation, you can once again fulfill your charitable plans without the income tax burden typically associated with IRA assets.

You are eligible to take advantage of this extension if:

- You are age 70 1/2 or older;
- You make an outright gift to a qualified charitable organization, such as the VCU School of Pharmacy (gifts to private foundations, donor advised funds and supporting organizations do not qualify, nor do transfers to charitable lead trusts, charitable remainder trusts, gift annuities or pooled income funds); and
- You transfer funds from your IRA by Dec. 31, 2009.

You may give up to \$100,000 per year under this new rule, and any gift you make in this way will count toward your minimum required distribution. Please note that you must direct the administrator of your IRA to transfer the funds directly to a qualified charity. Since IRA accounts generally contain assets that have not been subject to income tax, there is no charitable deduction associated with the gift. Outright distributions to charity from other types of retirement plans, like 401(k)s and 403(b)s, do not qualify under the new rule.

Prior to the enactment of PPA 2006, you would have had to report a withdrawal from your IRA as income and then declare an income-tax deduction. For some people, such a gift would actually cause an *increase* in taxes. Under PPA 2006, this is no longer a concern for those who are eligible to take advantage of the new rule. Now (and until Dec. 31, 2009), if you direct your IRA administrator to transfer assets directly to a qualified charity, you will not recognize income and will not have to worry about increasing your income taxes.

Example

Barbara would like to make a significant gift to the School of Pharmacy in honor of her upcoming 50th reunion. She is fortunate enough to have an IRA that has grown substantially over the years. She also has access to interest payments from other investments and receives Social Security. Her retirement assets are more than sufficient to cover her needs and maintain her lifestyle, but until recently making a gift to the School of Pharmacy from her IRA seemed too complicated. Barbara now can make a gift of \$100,000 directly to the School of Pharmacy from her IRA without worrying about income-tax implications. The \$100,000 gift does not count as income to Barbara, and it does count toward her minimum required distribution. Barbara is also

considering another significant gift in 2009, because the new rule allows her to make a gift of \$100,000 in each calendar year until the rule expires on Dec. 31, 2009. Barbara is supporting the School of Pharmacy's future strength in a way that was not possible in the past.

If you fit in any of the following categories, this new rule might be especially beneficial for you:

- You have an overfunded IRA that you and your spouse will not need in your lifetimes, and you want to avoid the heavy tax burden that results when these assets pass to other family members.
- You have sufficient income for your needs from other sources, but must still take the required minimum distribution from your IRA.
- You have already reached your giving limits based on your adjusted gross income (AGI).
- Your income level causes the phase out of your exemptions.
- You do not itemize your tax deductions.
- Additional income would cause more of your Social Security income to be taxed.

Even if you can't take advantage of this opportunity, you may know others who can. Please contact Ellen Leverich, director of development, at (804) 828-3016, or e-mail emleverich@vcu.edu for more information.