

IRA CHARITABLE DISTRIBUTION FAQS



What is an IRA Charitable Distribution?

Section 401(d)(8) of the Internal Revenue Code allows taxpayers age 70½ or older to make an IRA Charitable Distribution of up to \$100,000 from an Individual Retirement Account (IRA) to eligible charitable organizations. The amount distributed directly to an eligible charity can be excluded from your gross income, meaning you will not be taxed on the distribution.

Why would donors want to give some of their IRA assets to charity?

Many individuals have sufficient funds to retire comfortably. In addition, some advisors encourage individuals to distribute funds from their IRAs during their lifetimes to avoid tax rates of up to 80 percent if IRA funds are left to a dependent or family member (other than a spouse). Under current tax law, any amounts left in an IRA when an individual dies may be taxed as income to the beneficiary and are considered assets for the purposes of calculating that individual's estate tax liability.

This is also an effective way to impact the nonprofit causes a donor cares about. By some estimates, there is more than \$3 trillion in retirement funds such as IRAs. Even if only a small percentage of these funds were donated to charitable purposes, it would add millions of dollars to support the vital work of nonprofit organizations in communities across the country. Charitable distributions from IRAs have the power to create win/win situations for everyone.

Will IRA charitable distributions count towards my required minimum distributions?

Shortly after reaching the age of 70½, people are generally required to receive distributions from their traditional IRA. For the purpose of computing minimum required distributions, the IRS counts an IRA distribution the same whether it is used for personal purposes or directed to a charity. While a distribution for personal purposes is counted as income for tax purposes, an IRA Charitable Distribution is not.

Do I receive a charitable deduction when a distribution is made from my IRA directly to a charity under this provision?

No. Because you can exclude this contribution from your gross income, you cannot take a charitable contribution deduction for the contribution. You benefit by not having to recognize as income the amount you contribute directly from your IRA to a qualifying charity.

To which charities can I make IRA Charitable Distributions from my IRA?

Most contributions to public charities are considered qualified charitable contributions. However, distributions from IRA accounts to private foundations or to donor-advised funds held by public charities are not considered IRA Charitable Distributions under this provision.

Is Community First Foundation an eligible charity?

Yes, Community First Foundation is a public community foundation and is eligible to receive your contribution.

About Community First Foundation

Since 1975, Community First Foundation has helped individuals, families, businesses and nonprofits come together to improve the quality of life and create positive change in Jefferson County, the Denver metropolitan area and beyond.

Our Mission

Community First Foundation increases generosity and powers community for positive change.

This document is for informational purposes only and does not serve as tax advice or legal opinion. For such advice and opinion, please consult your qualified legal and financial advisers.

Learn more

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