

A Gift from Your IRA–
A Simple and Smart Way to Give

Where Local Good Grows

Hendricks County Community Foundation

Enjoy a Tax Benefit, Make a Difference

A qualified charitable distribution from an IRA is a well-established and popular way to give. If you are 70½ or older, this option allows you to make a charitable gift and satisfy your annual required minimum distribution (if one is due) without paying taxes.

How It Works

- Direct a transfer from your IRA account to us
- Exclude the gift amount from your income for federal tax purposes
- Count the gift toward your required minimum distribution for that year
- Make an immediate impact on our work

Who Benefits?

Whether you want to make a gift of $100, $1,000 or $100,000 (the maximum annual aggregate amount allowed), this is a simple, effective way to make a difference, meet your annual distribution requirements, and enjoy tax benefits. Under the ***Setting Every Community Up for Retirement Enhancement Act*** (SECURE) passed in December 2019, required minimum distributions *must* begin at age 72; nonetheless, a donor can make a charitable distribution from an IRA beginning at age 70½ and pay no tax on the distribution.

The Basics

To understand the advantages of using your IRA to make a gift, it helps to understand IRA basics:

1. Since an Individual Retirement Account (IRA) is a tax-deferred retirement account, contributions within stated limits are tax deductible, and appreciation and earnings are not taxed until they are withdrawn.
2. IRA distributions are taxed as ordinary income (at a marginal tax rate as high as 37% in 2021).
3. When IRA owners reach the age for mandatory distributions, they must be taken or a penalty is applied.

Uncomplicated Giving

Before the qualified charitable distribution option arrived, the only way to make a lifetime charitable gift using IRA assets was to make a withdrawal, pay the tax, send the proceeds to us, and hope that the charitable deduction would offset the income tax due on the withdrawal. Unfortunately, this was not always the case. Now, any guesswork is eliminated.

Instruct your IRA custodian to transfer a specific dollar amount directly to us.

It's that simple—a direct transfer with an instant impact! Because you do not include the transfer amount as income, if you're over 70½, you should always consider this source of charitable funds before giving cash or writing a check.

Rules to Remember

- You must be 70½ or older to participate.
- You direct the funds to a qualified charity like us.
- Every year, you may exclude up to $100,000 (the maximum aggregate amount) for federal income tax purposes. However, contributions to an IRA after age 70½ reduce the amount eligible for a qualified charitable distribution.
- The amount directed to us counts toward your required minimum distribution if one is due.
- The IRA trustee reports the qualified charitable distribution on a 1099-R form, and you list the amount as non-taxable on your federal 1040 income tax return.

Benefits with Limitations

You may not:

- Take an income tax charitable deduction for the transfer
- Direct the transfer to fund a gift annuity or a charitable remainder trust
- Direct the transfer to a donor advised fund or a Sec. 509(a)(3) supporting organization
- Transfer funds from a 401(k), 403(b), 457 plan, etc.—only distributions from a traditional or Roth IRA qualify (there is less incentive to use a Roth IRA since Roth distributions are tax free)

The Next Step

Consult your financial and tax advisors to see whether a gift from your IRA is right for you. If it is, contact your IRA custodian to request a qualified charitable distribution. Also, be sure to let us know that we should expect a distribution from your IRA. Because a qualified charitable distribution requires substantiation just like any other gift, we want to make certain that we send an acknowledgment when we receive your funds.

To learn more, feel free to contact us. We are happy to address any questions or concerns, or to discuss how this simple but attractive charitable giving option can help you realize your philanthropic and planning goals.



OUR MISSION:

The Hendricks County Community Foundation partners with generous people to realize their charitable goals while addressing community needs in meaningful and lasting ways.

OUR VISION:

Hendricks County is a vibrant, giving community.

Where Local Good Grows

Hendricks County Community Foundation

William A. Rhodehamel
President & CEO

Hendricks County Community Foundation
6319 East U.S. Highway 36, Suite 211
Avon, IN 46123

317.268.6240
www.hendrickscountycf.org

Tax information provided herein is not intended as tax or legal advice and cannot be relied on to avoid statutory penalties. Always check with your tax and financial advisors before implementing any gift. IRA0121