ESTATE PLANNING

IRA "CHARITABLE ROLLOVER" RETROACTIVELY EXTENDED THROUGH 2014

by Eric Gregory

Background

As a part of the so-called "Cromnibus" bill, Congress has extended dozens of expired "temporary" tax breaks for 2014. Included in that group is a rule that allows for tax-free treatment of certain "qualified charitable distributions" from IRAs where the distributions are donated to charity. The bill only extends this tax break until December 31, 2014.

"Qualified Charitable Distribution"

Specifically, a taxpayer may exclude from gross income the aggregate amount of his or her "qualified charitable distributions" that do not exceed $100,000 in a tax year. A "qualified charitable distribution" is any otherwise taxable distribution from an IRA that is:

1. made directly by the IRA trustee to a public charity (not a private foundation or donor advised fund at a public charity); and
2. made on or after the date on which the IRA owner has attained age 70 1/2.

An IRA owner who makes an IRA qualified charitable distribution in an amount equal to his or her required minimum distributions ("RMDs") is considered to have satisfied his or her minimum distribution requirement for that year, even though a charitable entity (and not the IRA owner) receives the distribution.

The rule may be applied to IRA distributions made after December 31, 2013 and until December 31, 2014.

Short Window of Opportunity

Taxpayers must contact IRA administrators as soon as possible if they intend to take advantage of the tax-free distribution by year-end. IRA administrators may require several weeks to process rollovers.

It is currently unclear whether Congress will extend this provision to 2015 or beyond. If recent history is a reliable indicator, however, it is likely that a decision on that may not come until well into the next year.

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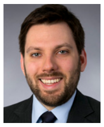

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