IRA Charitable Rollover

The IRA Charitable Rollover realized a milestone on December 18, 2015 when the popular legislation was made permanent. Until the congressional vote and presidential signature, the legislation was approved on a year-to-year basis.

HR 2029, the Consolidation Appropriations Act of 2016, allows taxpayers age 70½ or older to make a qualified charitable distribution (QCD) of up to $100,000 from an Individual Retirement Account (IRA) directly to the KSU Foundation without incurring income tax on the withdrawal.

What kinds of plans are eligible?

The tax exclusion applies to traditional IRAs and Roth IRAs only. Other forms of retirement plans such as 401(k), 403(b), defined benefit and contribution plans, profit-sharing plans, Keoghs and employer-sponsored SEPs, and SIMPLE plans are not eligible.

Previous all distributions from IRAs were taxable as ordinary income. Now, distributions from IRAs directly to the KSU Foundation are excludable from gross income, eliminating the income tax liability for such gifts.

Owners of ineligible plans may consider rolling amounts into a qualifying IRA to take advantage of the new rules. This decision should be made with the assistance of your financial consultant.

Can this qualify for my RMD (Required Minimum Distribution)?

Yes. You can direct the entire RMD to be transferred to the Kansas State University Foundation, up to the $100,000 limitation per year.

A husband and wife may transfer up to $200,000, provided each owns at least one IRA, is 70½ or older, and can each make a qualified charitable distribution of $100,000 from their plans. Any amounts exceeding this limitation are subject to the previous rules.

IRA distribution age requirements

An individual must be 70½ by the date of contribution. This law differs from the rules associated with RMD. The IRS requires a minimum distribution to be taken during the year you reach 70½, or by April 1 of the following year.

Do all types of charitable gifts from an IRA qualify under the new law?

The charitable organization may not be a supporting organization or private foundation, and the distribution may not be made to a donor-advised fund. The gift must be made outright to the KSU Foundation. Gifts to charitable remainder trusts, charitable gift annuities, pooled income funds or other split-interest vehicles do not qualify. Field-of-interest funds, designated funds, scholarships, and restricted or general endowments, for which donors or their designees have no advisory rights, are suitable recipients for IRA Charitable Rollovers.

What can I do with my IRA Charitable Rollover gift?

IRA Charitable Rollover donors enjoy enormous flexibility on how and where they support K-State. For example, they can designate the gift to an excellence or scholarship fund in any college, department or program. Gifts larger than $25,000 can create a named, endowed fund that honors the donor, their family, or a favorite faculty member. Again, the fund can benefit a wide range of academic, research, extension or athletic programs. Donors creating endowed funds work with KSU Foundation staff to create a Memo of Understanding (MOU), a roadmap to outline the who/what/where criteria of the new fund.

An IRA Charitable Rollover is effectively a cash gift and can begin benefitting the targeted program or project quickly.

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How do I make a gift to the Kansas State University Foundation under this law?

• Contact the Gift Planning Department at the Kansas State University Foundation to let us help you. We will provide a notification of transfer form that will help you document the gift. In addition, we can assist in the designation of your gift to an existing fund or help you establish a new fund, and make sure you are properly recognized for your gift. We are also happy to work with your plan administrator to help facilitate the transfer.

• Contact your IRA administrator or custodian and let them know that you want to make a gift directly from your IRA to the Kansas State University Foundation. The plan administrator will advise you on the requirements for transferring funds for a qualified distribution. Ask the administrator to indicate on the transfer of funds that you are the donor.

For more information, contact the gift planning department at 785-775-2000 or giftoptions@ksufoundation.org, or visit k-statelegacy.org.