

Charitable IRA Rollovers Made Permanent In Recent Extenders Bill

December 21, 2015

On December 18, 2015, President Obama signed into law the Protecting Americans from Tax Hikes Act of 2015 (the "Act"). The legislation made permanent or extended many of the tax provisions that had previously been extended two years at a time. Included in the Act was the opportunity for some donors to make significant charitable contributions using funds from individual retirement accounts ("IRAs") in 2015 and beyond. This Client Alert focuses on the IRA charitable rollover provision. ***These new provisions could provide significant tax benefits to IRA owners over the age of 70½.***

Charitable Giving Through IRA Rollovers

The Act makes permanent a provision of the Internal Revenue Code allowing an individual age 70½ or older to make a tax-free "qualified charitable distribution" (in the form of a rollover) of up to \$100,000 per year from an IRA to a qualified charity. As a result, an individual can avoid paying income tax on an otherwise taxable distribution from an IRA by instructing the IRA trustee to make the distribution directly to a qualified charity.

Although the charitable rollover provision had expired at the end of 2014, the Act revives the provision for 2015. Because the provision was reinstated during calendar year 2015, no special transition rules similar to the ones provided in 2013 are needed.

Who May Benefit

The renewal of the rollover provision may benefit you if you are age 70½ and older. First, the rollover provision could be beneficial if you are subject to the charitable deduction limit of 50% of adjusted gross income. Qualified charitable distributions from an IRA are treated as tax-free distributions to charity, so you can make distributions to qualified charities directly from an IRA even if you already made deductible charitable gifts equal to or in excess of the 50% limit. Second, the rollover provision may benefit you if you are subject to the so-called "hair cut" on itemized deductions that applies to certain taxpayers. By making qualified charitable distributions from an IRA, you can limit the effects of the hair cut while continuing to support your favorite charities. Finally, the rollover provision may benefit you if you take the standard deduction on your tax return. In this instance, you can make qualified charitable distributions from an IRA without increasing your taxable income or itemizing deductions.

Limitations

If you decide to take advantage of these rules, you should confirm in advance that your intended charity satisfies the applicable qualification rules. Some section 501(c)(3) organizations that are otherwise eligible to receive deductible charitable contributions from donors—such as donor-advised funds, supporting organizations, and private non-operating foundations—are not eligible to receive qualified charitable distributions from an IRA. Also, the rollover provisions only apply to charitable contributions that would otherwise be wholly deductible, for

example, those for which there is no benefit received in exchange for the contribution and all otherwise applicable substantiation requirements are met. Separately, anyone making qualified rollover distributions should be aware that those distributions may be subject to state income tax.

Conclusion

New extender legislation has reopened the opportunity to make significant charitable contributions using funds from IRAs in 2015 and beyond. Unlike previous legislation, this Act makes the change permanent. For many IRA owners over the age of 70½, this provides significant tax benefits.

For more information, please contact:

[Beth Shapiro Kaufman](mailto:bkaufman@capdale.com)
bkaufman@capdale.com
202.862.5062

[Joanne C. Youn](mailto:jyoun@capdale.com)
jyoun@capdale.com
202.862.7855

[William D. Fournier](mailto:wfournier@capdale.com)
wfournier@capdale.com
202.862.5079



About Caplin & Drysdale

Having celebrated our 50th Anniversary in 2014, Caplin & Drysdale continues to be a leading provider of [tax](#), [tax controversy](#), and [litigation](#) legal services to corporations, individuals, and nonprofits throughout the United States and around the world. We are also privileged to serve as legal advisors to accounting firms, financial institutions, law firms, and other professional services organizations.

The firm's reputation over the years has earned us the trust and respect of clients, industry peers, and government agencies. Moreover, clients rely on our broad knowledge of the law and our keen insights into their business concerns and personal interests. Our lawyers' strong tactical and problem-solving skills—combined with substantial experience handling a variety of complex, high stakes, matters in a boutique environment—make us one the nation's most distinctive law firms.

With offices in New York City and Washington, D.C., Caplin & Drysdale's core practice areas include:

- [Bankruptcy](#)
- [Complex Litigation](#)
- [Corporate Law](#)
- [Corporate, Business & Transactional Tax](#)
- [Employee Benefits](#)
- [Exempt Organizations](#)
- [International Tax](#)
- [Political Law](#)
- [Private Client](#)
- [Tax Controversies](#)
- [Tax Litigation](#)
- [White Collar Defense](#)

For more information, please visit us at www.caplindrysdale.com.

Washington, DC Office:
One Thomas Circle, NW
Suite 1100
Washington, DC 20005
202.862.5000

New York, NY Office:
600 Lexington Avenue
21st Floor
New York, NY 10022
212.379.6000

Disclaimer

This communication does not provide legal advice, nor does it create an attorney-client relationship with you or any other reader. If you require legal guidance in any specific situation, you should engage a qualified lawyer for that purpose. Prior results do not guarantee a similar outcome.

Attorney Advertising

It is possible that under the laws, rules, or regulations of certain jurisdictions, this may be construed as an advertisement or solicitation.

© 2015 Caplin & Drysdale, Chartered
All Rights Reserved.