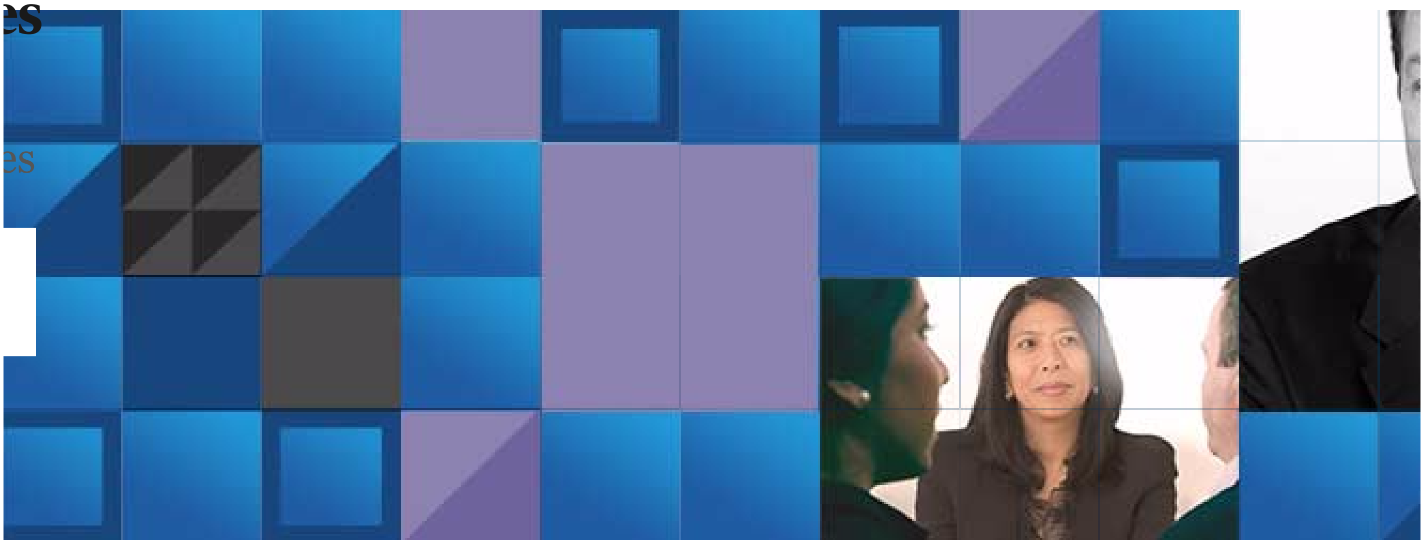

Congress Leaves Charities And Donors In Limbo As 2015 IRA Charitable Rollover Deadline Nears

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Joe Tronco is getting impatient with Congress. He turned 70 ½ this year which would make him eligible to direct up to $100,000 a year from his Individual Retirement Account to charities. The catch: Congress hasn't renewed the IRA Charitable Rollover law for 2015, one of dozens of tax extenders that are being held hostage to year-end budget and tax law negotiations.

On Tronco's to-do list: donations to Our Lady Of Mercy Outreach in Johns Island, S.C. for its service to the poor, to the Holy Angels Nursery in Belmont, N.C. for its care for children with birth defects, and to the building campaign for a new campus for the Cardinal Newman School in Columbia, S.C.

"It's just an inconsiderate mess that our Representatives have made so inefficient by not acting sooner and more consistently," says Tronco, of Kiawah Island, S.C., who retired in 2001 from First Union where he headed the corporate real estate division. “I’ve been getting calls from my financial advisor for the last six weeks, asking, ‘What are you going to do about your RMD?’ I told him, ‘I’m waiting for Congress.’”

RMD is short for required minimum distribution—that’s a mandated amount calculated by the IRS that you have to start taking out of your IRA once you hit 70 ½ based on your year-end balance and your life expectancy (this is actually something Tronco and his golf buddies talk about). Tronco is thinking of giving out his whole RMD this year to charities. “I’ve been fortunate to be able to get to this point in my life without relying on income from my IRA, so it’s like found money,” he says. That makes it a discretionary pot of money he and his wife Katherine can dole out to the many charities they support. He’s envisioning gifts ranging from $1,000 to $10,000.

With an IRA charitable rollover, you can direct the custodian of your pretax IRA to transfer up to $100,000 per year to a public charity without having to count that distribution in your income. In return, you’ll forego the charitable income tax deduction.

Folks who don't normally itemize their deductions and so don't get to deduct their contributions anyway, win with this strategy (as opposed to taking money from their IRAs, declaring it as income, and then claiming an offsetting charitable deduction). And if you usually do itemize, the IRA charitable rollover can also leave you ahead. I describe how the math works here.

Ever since the IRA charitable rollover was first available in 2006 and 2007, and then renewed annually or biannually since, there's been a push to make it a permanent part of the tax code. Permanence would help charities market the strategy to increase gifts, and it would make it easier for donors if they knew they could rely on it. Imagine a big IRA owner who could pledge a $1 million gift by earmarking $100,000 from his IRA each year for 10 years. It would also help a lot of smaller giver who could automate $1,000 gifts from their IRA each year.

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