

## Advancement News

# What you need to know about the new Legacy IRA Act

Many donors have asked if they can fund a Charitable Gift Annuity with a distribution from their IRA. That was not possible before, but this new legislation offers a one-time distribution to create life income plans!

Check it out:

### New Charitable Planning Opportunities with Retirement Plans

On December 29, President Biden signed the Consolidated Appropriations Act of 2023. Contained in the provisions of the Act is the new Legacy IRA Act or Secure Act 2.0, which addresses many issues related to retirement planning.

**For example, starting in 2023 the Act raises the age for required minimum distributions (RMDs), from Individual Retirement Accounts (IRAs), to age 73 for individuals born between 1951 and 1959 and age 75 for those born in 1960 or later. The Act also creates two new important charitable planning opportunities:**

**1) A Qualified Charitable Distribution (QCD) is a tax-free transfer from an IRA to a qualified charity. The QCD gift does not qualify for an income tax charitable deduction, but instead escapes income tax liability on the transfer. The current annual limit for a QCD to charity is \$100,000. **This limit now includes a new \$50,000 QCD limit for a life income plan (i.e., a charitable gift annuity or charitable remainder trust).****

The QCD limit will increase in 2024 by an amount to account for inflation. The QCD must be transferred directly to charity (or a life income plan) from the IRA. **The transfer cannot be made to a donor's checking or another account then to charity or the life income plan.**

The donor's IRA custodian can make the delivery by check or wire delivery. Money in another type of qualified retirement plan can be transferred tax-free to an IRA then from the IRA to charity or the life income plan. The QCD cannot be made to a donor-advised fund, supporting organization, or private foundation.

*Learn more on back*

**2) New QCD for rollover to Life Income Plans.** Beginning in 2023, the Act expands the definition of QCDs to include one-time distributions to create life income plans, specifically charitable gift annuities (CGAs) and charitable remainder unitrusts or annuity trusts (collectively, CRTs). CGA's and CRT's provide donors with lifetime income and tax benefits. Upon the donor (s) passing the remainder is transferred to support the important work of the charity.

This new type of QCD is a one-time maximum transfer of \$50,000 to a qualified CRT, or charity for a CGA. **Therefore, the new QCD can only be done once during the lifetime of the IRA owner.** Other important rules apply to the new QCD for life income plans:

- This new QCD to life income plans starts in 2023 and is available to taxpayers aged 70.5 years and older.
- The transfer is one-time only, up to \$50,000 in a single year. So, a donor can transfer amounts less than \$50,000 in a year, then add more in the same year. But no additional transfers are available in future years even if the balance is less than \$50,000.
- This \$ 50,000 counts toward the overall \$100,000 QCD maximum annual limit.
- All payments by the CRT or CGA funded by the QCD must be fully taxable at the recipient's ordinary income tax rate. There is no possibility of tax-free payments or income taxed at the capital gain tax rate from the CGA or CRT.
- Only the IRA owner and/or his/her spouse may receive payments from the CRT or CGA, funded by the new QCD. No payments are allowed to children or others.
- Spouses can each contribute up to \$50,000 from their respective IRAs to a single CRT or for one joint-life CGA. So, The total in a combined CRT or for a CGA will be \$100,000 with \$50,000 from each spouse.
- Only new CRTs would qualify for this QCD. Existing CRTs cannot receive this new QCD.
- A CRT created with the QCD cannot later receive other gifts from the IRA or other donated assets such as stock or real estate.
- A CGA funded by the new QCD must have a payout rate of at least 5%. This should not be an issue for single-life CGAs, since the 2023 payout rates recommended by the American Council of Gift Annuities (ACGA) begins at 5% for a donor aged 61.
- For a two-life CGA, for the IRA owner and spouses, the payout rate must be 5%. Rates for two life CGA's can be obtained by contacting the Advancement Office. See below.

**Please consult your financial advisors to learn more about how you might benefit from the new Secure Act 2.0 legislation**

### **Personalized Gift Illustrations Available!**

For more information or to receive a personalized Charitable Gift Annuity illustration showing income and tax benefits to share with your financial advisors, please contact: Vicki Deitzler, Vice President for Advancement at 717-675-1510 or [vdeitzler@cornwallmanor.org](mailto:vdeitzler@cornwallmanor.org).