

Advancement News

What you need to know about the Legacy IRA Act

Many donors have asked if they can fund a Charitable Gift Annuity with a distribution from their IRA. It is now possible with a one-time distribution to create a life income plan!

Check it out:

New Charitable Planning Opportunities with Retirement Plans

The Consolidated Appropriations Act of 2023, contained in the Legacy IRA Act or Secure Act 2.0, addresses many issues related to retirement planning.

For example, 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 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.

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2) QCD for rollover to Life Income Plans. 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:

- The QCD to life income plans are 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%.
- Rates for 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 Legacy IRA Act**

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.