

## Tax Bill Makes IRA Qualified Charitable Distribution Option Permanent

Among many expired or about-to-expire tax provisions in the Consolidated Appropriations Act of 2016, passed and signed into law on December 18, 2015, is a provision that applies to certain taxpayers who donate IRA assets to charitable organizations. Known as a “qualified charitable distribution” (QCD), the provision allows IRA owners and beneficiaries age 70½ or older to donate up to \$100,000 per year tax-free to eligible charitable organizations. These generally are tax-exempt organizations, donations to which would be eligible for an itemized federal income tax deduction.

While the general tax deduction for charitable donations is limited to a percentage of income, QCDs offers full tax exemption of the amount donated, up to the annual ceiling of \$100,000 per taxpayer. Thus, a married couple could potentially donate up to \$200,000 per year of IRA assets tax-free. Charitable distributions from the IRA are required to be paid directly to the organization, with no constructive receipt by the IRA owner or beneficiary. Traditional and Roth IRAs, and SEP and SIMPLE IRAs for which contributions are no longer being made, are considered eligible IRAs for QCD purposes. QCD amounts also satisfy a required minimum distribution (RMD).

### Brief History of QCDs

QCDs became available in 2006 under a provision of the Pension Protection Act of 2006 (PPA). First enacted as a two-year temporary provision, QCDs have been temporarily extended several times by subsequent sessions of Congress, without interruption, though congressional action to extend QCDs has several times occurred at the end of the tax year for which the benefit was being extended.

### QCD Option Finally Achieves Permanence

With enactment of the legislation QCDs are not only extended for 2015 after having expired on December 31, 2014, but have been made permanent and therefore apply to future tax years. As a result, IRA owners and beneficiaries age 70 ½ and older who are planning their charitable giving will no longer have to face the uncertainty of whether their charitable donation from their IRA will be exempt from federal income tax.

### Other Savings-Related Provisions

Other savings-related provisions contained in the combined bills include the following:

- Rollover of IRA (other than Roth IRA), qualified retirement plan, 403(b) and governmental 457(b) assets to SIMPLE IRAs will be permitted after the initial SIMPLE IRA two-year period; effective upon enactment.
- Airline bankruptcy settlement payments eligible for rollover to IRAs will include settlements during the 180 days following enactment of the legislation.
- The definition of “qualified public safety employee” for purposes of the age-50 exemption from 10% additional tax on early distributions from governmental retirement plans has been expanded to include nuclear materials couriers, U.S. Capitol police, Supreme Court police, and diplomatic security special agents; effective for distributions after December 31, 2015.