

# New IRA Law Offers Donors Tax Advantages

On October 3, 2008, President Bush signed a law that renews the opportunity for making tax-wise gifts to the University of Massachusetts and other charities. Passage of this law, the Emergency Economic Stabilization Act of 2008 approved by a bipartisan majority in both houses of Congress, is good news for many donors who can afford to make charitable gifts using their IRA accounts.

As with IRA gifts made in 2006 and 2007, from now through December 31, 2009, individuals age 70½ and older may make gifts from their IRA accounts directly to the University of Massachusetts and other qualified charities without being subject to Federal income tax on the IRA withdrawal.

*(Note: Because withdrawals from Roth IRA accounts are not normally taxable, gifts from a Roth IRA receive no new tax benefit under this law.)*

## **There are several things of significance that you should know about the new IRA Provision:**

1. The IRA Provision is in effect until December 31, 2009. This year and next donors can make charitable gifts up to \$100,000 per year from their IRA accounts.

*Practical consideration:* Keep in mind that the date of gift is the date received, not the date that you send transfer instructions to your IRA Administrator. Gifts must be received by the University of Massachusetts and other charities before December 31 to be qualified in that year. There may be a high volume of year-end gifts to be processed by your IRA Administrator. Allow time for your IRA Administrator to act on your transfer instructions.

2. Donors must be age 70½ or older at the time of their gifts.
3. Gifts must be made from the IRA Administrator directly to the charity. Please be sure to have your IRA Administrator identify you as the donor when transferring a gift to the University of Massachusetts, and notify UMass before the transfer so we can identify your gift.
4. Qualified IRA gifts are not subject to percentage limitations regarding charitable contributions.
5. The amounts withdrawn from an IRA and transferred to the University of Massachusetts and other charities are not reportable as income for Federal income tax purposes or for Social Security income. For most states, the amounts withdrawn are also not subject to state income taxes. See your tax advisor for specific advice on state taxes.
6. Donors of qualified IRA gifts do not receive a Federal income tax deduction for such gifts as they are not being taxed on the withdrawal.
7. Donors who do not itemize their Federal income tax returns may make qualified IRA gifts and exclude such gifts from their reportable income.
8. Amounts withdrawn from an IRA account are removed from the donor's taxable estate. As

noted above, if given to a charity, IRA payments are not subject to Federal income or estate taxes. If left to an individual on the death of the account owner, there may be estate taxes, and the individual beneficiary will have to pay Federal income tax on withdrawals from the IRA account.

9. The amounts transferred from an IRA to the University of Massachusetts and other charities may be counted towards the Minimum Required Distribution (MRD) for a donor's IRA accounts.
10. What charitable gifts are not eligible? Please note that gifts through a charitable remainder trust, lead trust, pooled income fund, or charitable gift annuity are not eligible under this new law. Gifts to a private foundation, donor-advised fund, or supporting organization are not eligible. Gifts for which the donor receives a substantial benefit that reduces the donor's tax deduction (such as tickets for a special performance or dinner) are not eligible.

Also, gifts from retirement accounts other than an IRA are not eligible under the law. Donors may be able to make qualified transfers of money from their pension or profit-sharing retirement accounts to their IRA, and then make a charitable gift from their IRA account.

This is not intended to be legal or tax advice. We encourage you to consult your own legal or tax advisor to see how you may be affected by the new law.

If you have questions, please call Carolyn Flynn, Assistant Vice Chancellor for Planned Giving, at 617-287-5336 or [carolyn.flynn@umb.edu](mailto:carolyn.flynn@umb.edu).