



December 2014

Congress Extends IRA Qualified Charitable Distribution Rule

Action During 2014 Is Required for Taxpayers Interested in Taking Advantage of This Special Rule

Individuals who act quickly can receive a tax break for distributions in 2014 from an Individual Retirement Account (IRA) to a qualified charity. For the past four years, a distribution of up to \$100,000 from an IRA paid directly to a qualified charity has not been deemed a taxable distribution to the IRA owner. On December 19, President Obama signed legislation that extends this “Qualified Charitable Distribution Rule” for distributions during the 2014 calendar year. The special tax treatment applies to distributions from traditional IRAs, rollover IRAs, Roth IRAs, and inherited IRAs.

A distribution from an IRA to a charity of up to \$100,000 during 2014 on or after the date the IRA owner (or, in the case of an inherited IRA, the beneficiary) has attained age 70½ will be excluded from the IRA owner’s 2014 taxable income. *The IRA distribution must be paid directly from the IRA trustee to a qualified charity.* A distribution paid to the IRA owner (or to the beneficiary of an inherited IRA) and then transferred to the charity will not be eligible for special tax treatment.

This distribution is taken into account for purposes of the IRA owner’s minimum-required distribution even though the IRA owner (or beneficiary) is not the recipient of the distribution. The \$100,000 limit applies per taxpayer. If multiple IRAs are maintained, the maximum total amount that may be excluded from a taxpayer’s income as an IRA Qualified Charitable Distribution is \$100,000. For married individuals who file a joint return, the limit is \$100,000 per IRA owner.

A taxpayer cannot claim a charitable deduction for amounts transferred from an IRA directly to a qualified charity if the amounts are excluded from the taxpayer’s taxable income as an IRA Qualified Charitable Distribution. To be excludable from income under this rule, (1) the distribution to the charity must be otherwise entirely deductible as a charitable deduction (without regard to the charitable deduction percentage limits), and (2) the taxpayer must obtain written documentation of the contribution from the charity. Taxpayers do not need to itemize deductions to take advantage of this rule.

For more information or if you have questions regarding the matters discussed in this legal update,

please contact a member of our [Individual Clients Group](#):

[Linda J. McDowell](#) | [William C. Ely](#) | [Kelley Galica Peck](#) | [Jeanmarie B. Shea](#)

[Edward J. Heath](#) | [Felicia S. Hoeniger](#) | [Christopher J. Hug](#) | [Mimi M. Lines](#) | [Dawn N. Zammitti](#)

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