

Provisions for charitable IRA distributions

Eligible IRA owners can make qualified charitable distributions up to \$100,000 (\$200,000 for married couples who each qualify separately) from IRAs without having to pay federal income taxes¹ on the distributions. These distributions are not tax deductible and must be made payable directly to a qualified charity.²

If you want to support your favorite cause or secure a legacy that lasts beyond your lifetime, there are a number of philanthropic strategies designed to help you direct your wealth in ways that reflect your values and beliefs — while also meeting your personal goals and providing tax benefits. One strategy you may want to consider is to make a federal tax-free charitable distribution from your traditional IRA, rollover IRA (IRRA®), SEP or SIMPLE IRA. This is a complex strategy and you should consult with your tax advisor before making a federal income tax-free charitable distribution from your IRA.

Who qualifies for this strategy?

- You must be age 70½ or older at the time of the distribution.
- You may distribute any amount up to \$100,000 per tax year, subject to reduction if you made tax-deductible contributions to a traditional IRA during the tax year.³
- You and your spouse may make combined distributions up to \$200,000, provided each of you owns at least one IRA, and each of you is at least 70½ years old at the time of the distribution and can make a qualified charitable distribution up to \$100,000 from your respective IRA accounts.³
- You may distribute from your traditional IRA and IRRA. Distributions may not be taken from an ongoing SEP or an ongoing SIMPLE IRA.⁴
- Charitable distributions from 403(b) plans, 401(k) plans, pension plans or other retirement plans are ineligible.

Where can you direct charitable distributions?

- The distribution proceeds must be paid directly to the qualified charity.
- Charities must receive distributions for each tax year no later than December 31 of the respective tax year to be considered as a donation to the charity for the year.
- Donor advised funds and certain private foundations are not eligible charities. You must check with your tax advisor to determine whether a charity is qualified to receive an IRA charitable distribution under applicable tax law.
- You must obtain written acknowledgment of each IRA charitable distribution from each qualified charity recipient to receive the tax-free treatment.
- You cannot receive any goods or services in return for the IRA charitable distribution.

How do you apply this strategy?

Your Merrill Lynch Wealth Management Advisor can work with you and your tax advisor as you evaluate this strategy to determine whether it makes sense in your overall estate plan. If you decide to implement this strategy and initiate a distribution from your IRA, you will need to:

- Complete the IRA/IRRA One Time Distribution Form or other acceptable method.
- You may request that your Merrill Lynch Wealth Management Advisor complete one of the optional IRA charitable letters and send it to the charity on your behalf.

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Can you use the qualified charitable distribution to meet any required minimum distributions for the year?

Yes, you can use up to the entire \$100,000 per person each year to satisfy any required minimum distributions you may have for the year, subject to reduction if you made a tax-deductible contribution; please consult your tax advisor for the detailed rules. To the extent you are required to take an RMD before the end of the tax year and have not yet taken it, and you plan to take the RMD as a qualified charitable distribution, you have until December 31 of the respective tax year to make the distribution. The amount distributed as a charitable IRA distribution is included in the owner's required minimum distribution for the year, if any.

Can you consider distributions taken during the respective tax year to be qualified charitable distributions?

Distributions taken within the tax year can be considered qualified charitable distributions only if they were paid directly to the qualified charity.

To whom should your distribution checks be payable?

Merrill will make the check payable to the qualified charity. You cannot receive a distribution payable to you and then issue a second check to the charity.

How is recovery of basis handled?

You may only take qualified charitable distributions from taxable amounts in an IRA. For purposes of the charitable distribution rules, pre-tax assets are treated as having been distributed first from your account.

How is the qualified charitable distribution status determined?

It is the sole responsibility of the IRA, IRRA, inactive SIMPLE IRA or inactive SEP account owner to determine whether a distribution constitutes a qualified charitable distribution, including, but not limited to, determining whether the donee qualifies as an eligible charitable organization. You should consult a tax professional before considering distributions from any IRA.

What happens if you have scheduled periodic distributions of RMDs?

If you have scheduled periodic distributions of RMDs made to you directly, you would need to request an additional distribution(s) that would be sent directly to the qualified charity in order to take advantage of this provision.

¹ Please consult your tax advisor to discuss any tax implications of executing this strategy.

² The applicable law defines a qualified charity as an organization described in Internal Revenue Code Section 170(b)(1)(A), other than a Code Section 509(a)(3) private foundation or a Code Section 4966(d)(2) donor-advised fund. Distributions to donor-advised funds, private foundations, and supporting organizations do not qualify for tax-free IRA rollover treatment.


³ Beginning January 1, 2020, if an individual makes a tax-deductible contribution to a traditional IRA in the same year in which the individual wants to utilize the qualified charitable distribution exclusion, the amount of the individual's qualified charitable distributions that are excludable from gross income are reduced (but not below zero) by the excess of (1) the total amount of deductible IRA contributions made for tax years ending on or after the date the individual attained age 70½, over (2) the total amount of reductions under this rule for all tax years preceding the current tax year.

⁴ For purposes of this provision, a SEP or SIMPLE IRA is treated as making ongoing contributions if it is maintained under an employer arrangement under which an employer contribution is made to the taxpayer's account for the plan year ending with or within the IRA owner's taxable year in which the charitable contributions would be made.

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