

# Children & Youth *Funding Report*

*Policy • Grants • Education • Health Care • Child Welfare • At-Risk Youth*



Story posted 12/9/09 4:07 PM

## (TIPS) As 2009 Winds Down, Year-End IRA Gifts Are Still Possible

As the year winds down to a close, many nonprofits are scrambling to finish the year on a positive note. CYF has been offering tips to make that end-of-the-year sprint a little easier.

This week we turn to Tony Martignetti, managing director of Martignetti Planned Giving Advisors, for advice.

On Dec. 31, an easy-to-get gift expires, so you've got two to three weeks to encourage your donors who are 71 and over to donate to you through their Individual Retirement Accounts, or IRAs, Martignetti says.

It works like this. Those who are the right age (technically, 70½ and over) inform their traditional IRA administrators that they wish to make a "qualified charitable distribution" to your nonprofit. Your donor may have to fill out and fax back a simple form, and he or she will need your federal tax ID number and legal name. The administrator cuts the check and sends it directly to your office, Martignetti says.

"The advantage for you can be up to \$100,000 from each donor," Martignetti says. "That's the maximum donation allowed per traditional IRA owner, per year."

The advantage for your donor is that he or she doesn't pay income tax on the amount of the gift. Typically, distributions from traditional IRAs are taxed as income. Because this is a distribution to charity, it is not taxed. In this case, your donor doesn't earn a charitable income tax deduction, but the tax-free distribution is just as good as a deduction, Martignetti says. There's no difference between paying income tax and declaring a deduction, on one hand, and not paying income tax and not getting a deduction, on the other, Martignetti says.

State income taxes and other factors could make this less advantageous for the donor, however. It's smart to urge donors to consult their tax advisors, Martignetti says.

"This giving opportunity has been with us since 2006," Martignetti says. "Congress might extend it, as it did once before, but no one can say for sure."

The fine print:

- The check from the financial institution must be postmarked by Dec. 31.
- Only IRA holders of the right age can take advantage of this opportunity.
- Traditional IRAs work best for this program. Don't promote the charitable distribution to donors holding Roth IRAs, because Roths are taxed differently, and a charitable distribution from a Roth IRA probably offers far less benefit to the donor.
- Charitable distributions cannot be made from 401(k), 403(b), SEP IRA, or SIMPLE IRA accounts -- they don't qualify for this program.
- Supporting organizations and donor-advised funds aren't eligible to receive charitable distributions from IRAs.

How do you promote IRA gifts in the short time left? Try last-minute communications:

- Mail appeals
- E-mail blasts
- Phone appeals

Develop a mail insert, e-mail, or phone script based on Martignetti's suggestion below.

Martignetti's suggested wording:

*If you are 71 or over, you can make a tax-free gift to us from your traditional IRA. You won't pay income tax on the amount of your gift. Tell your traditional IRA administrator that you want to make a "qualified charitable distribution" to us and give him or her our federal tax ID, XX-XXXXXXX, and our legal name, YYYYYYYYYY. The administrator will send your tax-free gift directly to us. It must be postmarked by Dec. 31, 2009! Thank you very much!*

**Info:** [www.mpgadv.com](http://www.mpgadv.com), Martignetti is managing director of Martignetti Planned Giving Advisors and has been supporting the fundraising needs of nonprofits since 1997. He is the author of *Charity Registration: State-by-State Guidelines for Compliance*. He's also at [LinkedIn](#), [Twitter](#), and [Facebook](#)

12/9/09 4:07 PM

Children and Youth Funding Report Online is an independent news service. For more information, go to [www.CDPublications.com/cyf](http://www.CDPublications.com/cyf) or call 301-588-6380 or email [subscriptions@cdpublications.com](mailto:subscriptions@cdpublications.com). Subscription rates begin at \$419/year. Sharp discounts are available for multi-year and multi-user subscriptions. Unauthorized reproduction and/or providing access to unauthorized users are violations of federal copyright law.