

Diocese of Kansas City-St. Joseph



Parish Toolkit: IRA Qualified Charitable Distributions

2018

Parish Toolkit: IRA Qualified Charitable Distributions

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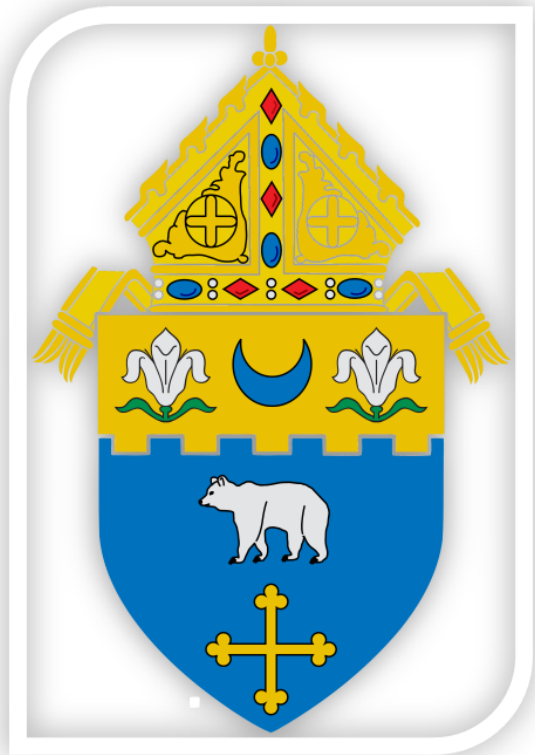
A. Stewardship and Development

From the USCCB *Stewardship: A Disciples Response*

Appendix II: Section III: Stewardship and Development

“Development and fund-raising programs sponsored by dioceses, parishes, schools and other church-related organizations should complement effective stewardship programs. No development activity should conflict with stewardship efforts in the diocese or parish. Instead, as a result of careful planning, there will be new opportunities for people to practice good stewardship by participating in the mission and ministries of their church.”

“The basic elements of a parish or diocesan development program are (1) **a spiritually based plan** with a mission statement, specific goals and objectives and priorities for funding; (2) **a communications program** that specifies how the diocese, parish, school or agency will regularly communicate its mission, goals, and funding needs to various internal and external publics; and (3) **a fund-raising program based on stewardship and development principles** that outlines how the diocese, parish, school or agency will identify prospective donors, build strong relationships, and solicit gifts for current programs, capital needs, and endowments. To be successful, each of these three elements must be carefully coordinated with stewardship education efforts and other fund-raising activities (e.g., annual appeals or capital campaigns) at the diocesan and parish levels.



Planned Giving

“The term ‘planned giving’ is now commonly used to describe commitments made by donors to transfer capital assets (including cash, stock, certificates of deposit, real estate, or other forms of personal property) to a qualified religious, educational, or charitable organization.... Planned gifts are normally made from the contributor’s accumulated assets as part of an overall estate plan. In addition to the normal benefits of charitable giving, planned gift agreements frequently result in tax advantages or other income benefits to the donor.”

Characteristics

The most distinctive characteristics of planned giving are the following:

- Gifts are made from capital assets in contrast to outright gifts that are normally made from the donor’s current assets.
- The donor’s personal and financial objectives are of primary concern in the decision whether to make a planned gift and what form of planned gift agreement to choose.
- Depending on what form of planned gift agreement is chosen, the organization designated as the beneficiary may have to assume administrative and/or fiscal responsibilities (which would not ordinarily be the case in an outright gift).

B. Planned Gifts: IRA Qualified Charitable Distributions

The donor's personal and financial objectives are of primary concern in the decision whether to make a planned gift and what form of planned gift agreement to choose.

Stewardship: A Disciples Response: Appendix II: Section III: Stewardship and Development

The IRA charitable donation allows taxpayers 70½ or older to donate up to \$100,000 from their individual retirement accounts (IRAs) directly to charitable nonprofits. Unlike a withdrawal, the amount of the donation is not included in adjusted gross income for tax purposes. The donation can count towards or satisfy the required minimum distribution that begins at age 70 ½.

You can use the Sample IRA Charitable Donation Bulletin Announcements below to make your parishioners aware of this opportunity to support your parish, school or other ministry. If they do not need the distribution for living expenses, it's likely that an IRA qualified charitable distribution will allow them to make a larger gift than otherwise might have been possible.

Diocese handles the distribution for the parish

When your parishioner contacts Stewardship and Development:

Stewardship e-mails or mails donor:

- Instructions to ensure that they qualify, and
- Request forms to send to their IRA administrator
- When the distribution check comes to Stewardship and Development from the administrator,
- Stewardship forwards the check to Finance with instructions identifying the parish, school or ministry to receive the proceeds
- Stewardship sends the donor an IRA Distribution Acknowledgement Letter
- Finance mails the check(s) to the recipients.

Parish handles the distribution

When the parishioner contacts you about an IRA donation (IRA Qualified Charitable Distribution):

E-mail or mail the donor:

- a. [Sample Transmittal Letter to Donors](#)
- b. [Sample Information for Donors: Tax Free IRA Gift Criteria](#)
- c. Two copies of the [Sample Donor Request for IRA Charitable Distribution for 20XX Tax Year](#) or
- d. One copy of the [Donor Request for IRA Charitable Distribution for 20XX Tax Year](#) and one copy of [Sample Donor Notice to Charity of an IRA Distribution](#).
- e. Upon receipt of the proceeds from the plan administrator, mail the donor:
- f. [Sample Parish IRA Distribution Acknowledgement Letter](#)
- g. Optional thank you letter from the pastor (less formal than the contemporaneous, written acknowledgement required by the IRS)

The statement of contributions for parishioners

A parishioner's IRA distribution should not be included in the statement of contributions provided by the parish. Because an IRA qualified charitable distribution is not included in adjusted gross income, there is no tax deduction. See [Guidance on Charitable Deductions and Reporting](#) below.

For the Parish to handle the IRA distribution

Sample Transmittal Letter to Donors

(Parish sends to donor)

{DATE}

{ADDRESS BLOCK}

Dear {SALUTATION}:

Thank you for remembering the ministry of {PARISH} with your gift. To help you through the process, we have attached the following documents:

- An information sheet explaining IRA charitable distribution criteria and benefits
- A Request to Initiate IRA Charitable Qualified Distribution form
- A Donor Notice to Parish of an IRA Distribution form.

You must initiate the distribution through your IRA account administrator using the Request to Initiate IRA Charitable Qualified Distribution form or one provided by the administrator. To ensure that we follow your wishes for the distribution when the check arrives, please send your Notice to Parish of an IRA Distribution (or a copy of the Request) at the same time you initiate your Request.

Once we receive your check, we will mail you your IRA distribution tax letter.

Please do not hesitate to call or email us with any questions. You can contact {NAME} at {PHONE} or {EMAIL}.

Sincerely,

{NAME of STAFF MEMBER}

{TITLE}

For the Parish to handle the IRA distribution

Sample Information for Donors: Tax Free IRA Gift Criteria

(Parish sends to Donor)

Criteria for a Qualified Charitable Distribution from an IRA

The IRA charitable rollover allows taxpayers aged 70½ or older to donate up to \$100,000 from their individual retirement accounts (IRAs) directly to charitable nonprofits. Your gift can make a real impact on your parish, the Diocese or a ministry.

What you need to know

- **What You Can Give.** Contributions from traditional IRAs.
- **Age Requirement.** You must be 70 1/2 years old or older when the distribution is made.
- **Directly to the Charity.** Distributions must be made directly from your IRA account to charity, use our Request Form.
- **Professional Advice.** Please consult with your tax or legal professional.

Who can benefit

- **Individuals who take required minimum withdrawals and want to avoid paying tax on the distribution.** Give your Required Minimum Distribution (RMD) directly to a qualified charity without having to report it as taxable income. Contact your IRA administrator to learn the amount of your RMD.
- **Taxpayers who don't itemize their deductions.** An IRA charitable transfer most benefits the nearly two-thirds of Americans who do not itemize deductions on their tax returns and therefore do not receive a tax benefit for giving to charity.
- **Itemizing taxpayers who've reached the charitable giving limit.** Donors who itemize their taxes are prohibited from deducting more than 50 percent of their adjusted gross income as charitable donations. Donations from an IRA are excluded from adjusted gross income, allowing individuals who have reached the 50 percent threshold to give more.

To learn more, please contact {PARISH STAFF MEMBER} at {PHONE NUMBER} or {E-MAIL}. We will be happy to answer your specific questions.

For the Parish to handle the IRA distribution

Sample Donor Request for IRA Charitable Distribution

(Donor sends to Plan Administrator)

{DATE}

Subject: Request to Initiate IRA Charitable Qualified Distribution

Dear IRA Custodian,

Federal law permits the account holder of an IRA who is age 70 1/2 or older to make a Qualified Charitable Distribution ("QCD") directly from their IRA to a qualified public charity.

As the owner of IRA Account # _____ that is in the custody of your organization, I request that you make the following QCD(s) to the following organization(s):

\$ _____ to {NAME OF PARISH} with an address of {ADDRESS OF PARISH} with the following Tax ID Number: {INSERT PARISH TAX ID NUMBER}

Please designate my gift for {PARISH, SCHOOL, APPEAL, or other PARISH MINISTRY, *provide specifics*} as follows {FULL NAME and ADDRESS}:

_____.

In your transmittal of funds to the parish, please note my name and address as the donor of record in connection with this transfer and transmit a copy of this request form with your payment. Please copy me on your transmittal.

It is my intention that the above listed gift(s) be treated as a QCD and that the same be used to satisfy, in whole or in part, my Required Minimum Distribution (RMD) in the year of transfer. Therefore, it is imperative this distribution be postmarked no later than December 31. Please do not withhold any income tax from my distribution.

This letter is sufficient authorization for you to make the QCD gift(s) listed above. However, if you require any further documents, please forward those to me for my signature. If you have any questions or need to contact me, I can be reached at {PHONE _____}.

Thank you for your assistance in this matter.

Sincerely,

Signature

Home Address

_____, Plan Owner
Print Name

City, State, Zip Code

For the Parish to handle the IRA distribution

Sample Donor Notice to Parish of an IRA Distribution

(Donor Can Send to Parish showing that a Gift Will be Coming)

{DATE}

{PARISH NAME}

Attn: {NAME OF PARISH STAFF MEMBER}

{PARISH STREET ADDRESS}

{CITY, ST ZIPCODE}

Subject: IRA Rollover Gift for {INSERT YEAR}

Dear {NAME OF PARISH STAFF MEMBER}:

I am pleased to inform you that I have directed the custodian of my Individual Retirement Account ("IRA") to make a qualified charitable distribution from my IRA to your organization. The information concerning my IRA and my gift are described below.

IRA Plan Trustee/Administrator Name: _____

Account Number: _____

Distribution Amount: _____

My gift is designated for {PARISH, SCHOOL, APPEAL, or other PARISH MINISTRY, *provide specifics*} as follows: _____

_____.

It is my intention that: (1) this gift from IRA comply with the "qualified charitable distribution" requirements of Section 408(d)(8) of the Internal Revenue Code; (2) that this gift will be used to satisfy all or part of my annual required minimum distribution; and (3) that I will not be able to claim a charitable income tax deduction for my IRA gift.

When you receive the distribution from the trustee/administrator of my IRA, please send me a contemporaneous written acknowledgement that includes the following: (1) information about the amount of my gift; (2) a statement confirming that no goods or services were transferred to me in consideration for this gift; and (3) that indicates that my gift will not be placed in a donor advised fund or supporting organization.

If you have any questions concerning my gift or this letter, please let me know.

Sincerely,

Signature

Home Address

_____, Plan Owner
Print Name

City, State, Zip Code

Phone: _____

Email: _____

For the Parish to handle the IRA distribution

Sample Parish IRA Distribution Acknowledgement Letter

(Parish Sends to Donor)

{DATE}

{DONOR NAME(s)}

{DONOR STREET ADDRESS}

{CITY, ST ZIPCODE}

Subject: IRA Rollover Gift for {INSERT YEAR}

Dear {NAME OF THE DONOR(s)}:

Thank you for your IRA Charitable Rollover gift. An IRA rollover gift may comply with the "Qualified Charitable Distribution (QCD)" requirements of Section 408(d)(8) of the Internal Revenue Code.

We are writing to acknowledge that we received your gift postmarked {DATE} in the amount of \$_____, directly from your IRA custodian {NAME OF CUSTODIAN} located in {CITY, ST of CUSTODIAN}.

Please accept this letter as a contemporaneous written acknowledgement of the following: (1) no goods or services were provided in exchange for your gift other than intangible religious benefits; (2) our organization is a qualified public charity and therefore we may receive your qualified charitable distribution; and (3) your gift to us is for general purposes or to a designated fund, and not to a donor advised fund or a supporting organization.

We understand that you wish to apply your gift to benefit {PARISH, SCHOOL, MINISTRY, ETC.}

Thank you again for your generous support.

Please feel free to contact me if you have any questions.

Cordially yours,

{NAME OF PARISH STAFF MEMBER}

{TITLE}

{PARISH NAME}

P.S. Please note: A qualified charitable distribution (QCD) is not a tax-deductible charitable gift. A QCD may, however, count towards the annual IRA required minimum distribution (RMD) and not be deemed taxable income. Please consult with your own professional tax advisor regarding this and all appropriate matters. Please retain this letter with your important tax documents and provide a copy to your tax preparer.

C. Sample Bulletin Announcements for IRA Charitable Distributions

Combine thoughts about Stewardship, Giving, and More information

Stewardship

- A. As Christian stewards, we share the responsibility of making our Church a true community of faith and a vibrant source of service to the larger community. That includes providing financial support for today's needs -- and building a firm financial foundation for tomorrow.
- B. Remember you can pay it forward! You have a wonderful Catholic heritage. Just as we plan to ensure financial health for our families, we must plan for the health of our faith families. Your planned gift to our parish will support our ministries now and for years to come.
- C. The Holy Spirit brought the early Church alive by giving individuals gifts that would sustain the Church. By sharing the gifts you have been blessed with you can keep the church alive for years to come.

Giving:

- 1) Did you know that federal law allows tax-free charitable distributions from your IRA? Charitable taxpayers who are age 70 ½ or older can direct “qualified charitable distributions” from their fund administrator directly to the charities of their choice, including one’s parish, school or favorite ministry. Please consider using your IRA as a charitable giving vehicle.
- 2) If you have an IRA and you’re 70 ½ years old, you can make a ‘tax-reducing’ gift today through an IRA Charitable Rollover. It helps you and it helps us. How it helps you: it can lower your taxable income, count towards your required minimum distribution, and help you feel good about giving to your parish. How it helps us: we can put your gift to use right away in providing financial support to our ministries throughout the parish.
- 3) If you are 70 ½ years old or older, you can donate up to \$100,000 from your IRA directly to your parish. It will not count as taxable income and it can satisfy your “required minimum distribution”.
- 4) Normally, a distribution from your IRA is taxed as ordinary income. However, tax legislation made permanent this charitable giving opportunity for individuals 70½ or older. You may make a direct distribution (up to \$100,000) from your IRA to a qualified charity, such as your parish, the Bishop’s Appeal, a ministry, or another diocesan institution. Such qualified direct distributions to charity from your IRA are not subject to income tax. You will not receive a tax deduction for the distribution either.
- 5) Don’t miss the chance to make a charitable IRA gift this year! If you are 70 ½ or older and own an IRA, please consider making a charitable rollover gift before December 31. You can make a gift up to \$100,000 directly from your IRA to our parish, the Bishop’s Appeal, a ministry, or other charity. Your gift will:
 - not be included in your taxable income
 - satisfy your required minimum distribution for the year
 - reduce your taxable income, even if you do not itemize deductions
 - not be subject to the 50% limitation on charitable gifts
 - help the work of the Church.

More information

For more information about how you and the Church can benefit from an IRA charitable rollover, contact your IRA administrator, tax preparer, or your parish office.

D. Guidance on Charitable Deductions and Reporting

From GiftLaw:

Gift Acknowledgement

The IRA rollover is not included in taxable income and consequently there is no income tax deduction. However, the donor must still comply with substantiation requirements under [Sec. 170\(f\)\(8\)](#). The recipient charity should issue an acknowledgment for the IRA rollover that is similar to a gift receipt. The acknowledgment should include:

1. the date of the gift
2. the name of the IRA custodian
3. the amount of the gift
4. that the gift is a **qualified charitable distribution** under [Sec. 408\(d\)\(8\)\(A\)](#)
5. that no goods or services were provided in exchange for the gift
6. that the charitable organization has received the gift for:
 - a. general purposes or a field of interest fund
 - b. that it qualifies as a Sec. 170(b)(1)(A) public charity
 - c. the gift is not to a donor advised fund or [Sec. 4966\(d\)\(2\)](#) or a supporting organization described in [Sec. 509\(a\)\(3\)](#).

If the IRA Owner Delivers Check – Most IRA custodians transfer IRA rollover funds by check or electronic transfer directly to the charity. However, some IRA custodians issue a check payable to the charity, but send the check to the donor for forwarding to the charity. This transaction will still qualify under [Sec. 408\(d\)\(8\)\(A\)](#) as an IRA rollover if the check is issued payable to the charity and the owner delivers the check prior to December 31 of the applicable year. Delivery may be made by physical transfer to an agent for the charity or by placing the check in the U. S. mail by December 31 of the appropriate year.

IRA Rollover Reporting from the IRA Custodian/Administrator

Under Treasury instructions for IRS Form 1040, the IRA custodian will send a Form 1099 to the donor and report the full qualified charitable distribution amount. The donor will report the total distribution on Line 15A of Form 1040, (the line numbers on Form 1040 may change in future years) but will report only the taxable distribution on Line 15B. If the qualified charitable distribution is the only IRA distribution because it fulfills the RMD, then the number on Line 15B will be zero.

From IRS Publication 1771 Charitable Contributions Substantiation and Disclosure

Written Acknowledgment

Goods and Services

The acknowledgment must describe goods or services an organization provides in exchange for a contribution of \$250 or more...

Intangible Religious Benefits Exception — If a religious organization provides only “intangible religious benefits” to a contributor, the acknowledgment does not need to describe or value those benefits. It can simply state that the organization provided intangible religious benefits to the contributor.

Diocese Financial Policy 20.25: Accepting and Acknowledging Contributions

IV. **Acknowledgments – General**

A charitable contribution is a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without getting, or expecting to get, anything of equal value. The following payments do not constitute charitable contributions:

- A. The value of volunteer services is not tax deductible to the donor. Do not include a dollar amount in the donor's statement of contributions.
- B. Payments received for services rendered are not tax deductible to the donor. Do not include a dollar amount in the donor's statement of contributions.
- C. Contributions earmarked by a donor for a particular individual or narrow class of recipients are not deductible by the donor. That is so even when they benefit someone who would otherwise qualify to receive a payment from an entity.

Effective for contributions made on or after January 1, 2007, a taxpayer may not take a charitable deduction for a cash gift of any amount unless the taxpayer has maintained records of support in the form of: a cancelled check, a wire transfer acknowledgement, a credit card record or a written acknowledgement from the donee showing the name of the donee and the date and the amount of the contribution. Therefore, the entity must post identifiable contributions of all amounts to the donor's contribution record in the entity's census software.

Contributions of \$250 or More

Effective for contributions made on or after January 1, 1994, a taxpayer may not take a charitable deduction under section 170 of the Internal Revenue Code for any contribution of \$250 or more unless the taxpayer substantiates such contribution with a contemporaneous written acknowledgment from the charitable organization to which the donation was made [IRC §170(f)(8)]. A canceled check will not constitute adequate substantiation for a contribution of \$250 or more. Separate payments generally will be treated as separate contributions and will not be aggregated for purposes of applying the \$250 threshold. The taxpayer bears the burden of requesting the appropriate acknowledgment.

...

At a minimum, all parishes, missions, schools and early childhood centers must keep a record of all contributions of \$250 or more and respond to all requests for written acknowledgments by donors. The policy of the Diocese of Kansas City-St Joseph is that all donations of \$250 or more be acknowledged on a timely basis (within 30 days), except for recurring offertory gifts of \$250 or more, in which case acknowledgments may be sent quarterly.

E. Options for IRA Gifts to be handled by the Diocesan Stewardship Office

To: All Stewardship Coordinators and Business Managers

From: Greg Vranicar, Outgoing Planned Giving Director

June 27, 2017

ISSUE PRESENTED: At a recent gathering of parish financial coordinators, the thoughtful question was raised: **Why does the Diocese recommend (or require) donors instruct their IRA Administrators to send proceeds of IRA gifts from the Donors' accounts to the Stewardship and Development Office for distribution to the requested parish, school, or other ministry? Why not just have the proceeds just go directly to the beneficiary and "cut out the Diocese," it's an extra step in the process?**

LAW: Giving from one's IRA is allowed by Congress as an exception to the general rule that any distribution for a traditional IRA is taxable, but if and only if:

1. The distribution is from a traditional IRA; (Roth IRA distributions are not taxable,)
2. At the time the distribution is made the donor is 70 and one-half years old or older,
3. The distribution is directed to a "qualified charity" (as defined by the IRS) – almost all Diocesan entities, including the Annual Catholic Appeal, are "qualified," and
4. (If later requested for an audit or otherwise,) the donor can produce a copy of a contemporaneous written receipt in a format prescribed by the enabling law.

If any one of these elements is missing, the distribution might be "recharacterized as income"

REASONING FOR CURRENT POLICY: The Diocese adopted the plan suggested by National Committee for Planned Giving (NCPG) of a SINGLE POINT OF CONTACT FOR A MULTI-FACETED/LOCATION CHARITY to provide necessary after-the-fact retention of these important records. What better example of this type of a charity than a Diocese with 27 counties, 98 parishes/missions, schools and other ministries. We often have over 350 IRA gifts from over 250 donors annually from donors in some of our largest parishes down to very small parishes with limited staff. Donors often employ IRA Tax-Free as *the annual gift* for the entire annual donation. Especially at the end of the calendar year, receiving, acknowledging and thanking donors for IRA gifts on a small staff can be overwhelming.

The combined facts of the capacity of the Diocese to handle the workload of doing the IRA giving program AND the inability of many if not most of parishes to successfully to staff the situation resulted in the current practice.

Alternative Acceptable Procedure:

Stewardship and Development Office is not opposed to modifying the current practice, *provided donors can still be served well*. For parishes with adequate staff and even with many IRA gifts, we have employed this model:

1. Donors instruct their IRA Administrator to send the proceeds of the gift directly to the Parish instead of the Diocese. (This requires only a slight modification of the Request Form.)
2. Such a Parish emails the STEW/DEV Office re: the details of the gift attaching a .pdf of the check receive from the Administrator. Parish thanks the donor for the gift in a "non-technical" language and the Stew/Dev Office sends the current statutory IRA Acknowledgement. (Can be done a reasonable time after the gift.)
3. **UPDATE:** You can also use the Sample IRA Distribution Acknowledgement Letter in this document to send the acknowledgement from your parish.