



## Donating IRA Funds Directly to NER

By making a charitable contribution to the New Earth Recovery (“NER”) directly from your Individual Retirement Account (or certain other retirement accounts) (“IRA”), you can make a gift to NER without reporting additional income on your income tax return. You can have both the satisfaction of helping people down their road to recovery and the enjoyment of federal income tax benefits. This may be especially attractive if you don’t need all the income from your IRA to meet current living expenses.

Many tax-savvy individuals make their charitable gifts directly from their IRAs for a number of reasons, including:

- Saving federal income taxes.
- Receiving an income tax benefit for a gift to charity even if they do not itemize their deductions.
- Lowering the amount of the following year’s Required Minimum Distribution (“RMD”) by reducing the end-of-year value of the IRA, which is used to calculate the RMD.

### RMD Basics

You cannot keep retirement funds in your retirement account indefinitely. You generally have to start taking withdrawals from your IRA, SIMPLE IRA, SEP IRA, or retirement plan account when you reach age 70½. Due to changes in the law, if your 70th birthday is July 1, 2019 or later, you do not have to take withdrawals until you reach age 72. Roth IRAs do not require withdrawals until after the death of the owner.

The annual RMD must be taken each year whether or not you need the income.

The amount of your annual RMD is determined by dividing the value of your IRA at the end of the previous year by your life expectancy factor, which is found in the appropriate IRS table. Your life expectancy factor decreases as you grow older, so the portion of your RMD increases. (There are separate tables for singles and for married couples who name the surviving spouse as the beneficiary. The life expectancy factor for married couples takes into account the joint life expectancy of both spouses.)

*Example:*

*The RMD for a single person at three representative ages with an IRA valued at \$200,000 as of the end of the previous year:*

Age	Life Expectancy Factor	RMD
70	27.4	\$7,299
75	22.9	\$8,734
80	18.7	\$10,695

Failure to make a proper RMD by the appropriate deadline has serious and expensive consequences. You will be assessed a penalty equal to 50% of the difference between the amount you withdrew that year and the amount you were supposed to take out that year.

## Problem

Depending on your income tax situation, a withdrawal from your IRA can have a two-fold impact on your income taxes, even if you use part or all the withdrawal to make a charitable contribution. First, the total withdrawal is counted as additional income for income tax purposes. Second, it may cause more of your Social Security benefits to be subject to income tax. Both of these impacts will result in additional income taxes due.

Plus, thanks to the dramatic increase of the standard deduction in recent years, you may be among the millions of taxpayers who do not itemize their charitable and other income tax deductions. The tax-savings impact of a gift to charity is often lost.

## Solution

You can direct the custodian of your IRA to transfer funds (up to \$100,000) directly to NER. This direct transfer is known as a “qualified charitable distribution” (“QCD”), which won’t be treated as additional income to you without impacting your federal income taxes.

## Basic Requirements and Limitations

- ✓ You must be at least 70½ years of age at the time of the QCD.
- ✓ The distribution must be from an IRA (traditional, rollover, or inherited). Other account-based retirement plans such as 401(k)s are also eligible. Roth, Simplified Employee Pension Plans (SEPs), and Savings Incentive Match Plan for Employees (SIMPLE IRAs) are typically not eligible.
- ✓ The QCD must be made directly from the IRA to NER. Funds distributed to you which are then given to NER do not qualify as a QCD.
- ✓ Maximum annual amount that can qualify for a QCD is \$100,000. If you are married, your spouse can also make a separate QCD up to \$100,000 from his or her IRA.

## Steps

1. Consult a tax advisor to determine if making a QCD is appropriate for your situation.
2. Instruct the custodian of your IRA to make the amount you desire as a QCD to NER. The custodian will make the check payable to New Earth Recovery, whose tax identification number 47-3266440, and send it directly to:

New Earth Recovery  
Post Office Box 1473  
Mount Vernon, WA 98273

3. Although optional, we would appreciate it if you would notify us of your QCD so we can watch for the check and provide you with the appropriate receipt for your records.

## Useful Information

The following information may be helpful to you or your advisors when making a QCD to NER.

<b>Name:</b>	<b>New Earth Recovery, a nonprofit corporation duly organized and existing under the laws of the State of Washington</b>
<b>Address:</b>	Post Office Box 1473 Mount Vernon, WA 98273
<b>Federal tax identification number:</b>	47-3266440
<b>Income tax status:</b>	Exempt from Federal income taxes under section 501 (c) (3) of the Internal Revenue Code ("Code") *
<b>Contributions to NER:</b>	Deductible under section 170 of the Code *
<b>Bequests, devises, transfers or gifts:</b>	Deductible under sections 2055, 2106 or 2522 of the Code *
* A copy of the IRS Letter of Determination for NER will be furnished upon request.	

Thank you for considering making a qualified charitable distribution from your IRA to New Earth Recovery. Please contact the Executive Director, Alan Muia, at (360) 770-1044, if you have any questions.