

How do I acknowledge an IRA contribution under the new tax provision?

As you are most likely aware, the new tax laws have a provision that between August 17, 2006 and December 31, 2007 individuals over the age of 70 ½ can contribute up to \$100,000 of IRA moneys to a qualified donee organization. (Congregations qualify.) These contribute must be transferred directly from the custodian of the IRA account to the donee organization. Whereas these gifts do not qualify as deductible contributions to the donor, they are attractive because it avoids taxable income distribution for the senior. In addition many seniors are on reduced income and will not qualify to deduct this large a contribution due to xxxxxxx.

This raises the question: How does the church acknowledge the contribution, as it not a deductible cash contribution from the member? The following apply:

- The church should acknowledge back to the custodian via a letter the receipt of the contribution. Whereas this is not required at the moment by law, it is a good practice for the church to document the receipt and create a paper trail that the contribution came directly from the custodian of the IRA.
- The custodian of the IRA account (not the church) is required to issue to the client (the church member) a 1099R. The distribution (which has become a contribution to the church) will show in Box 1 as "Gross distribution" but will not be included in Box 2a as "Taxable amount."
- The church should not include this amount on the member's contribution statement but rather send a letter of acknowledgement to the member stating that the church has received an IRA distribution in the amount of XXX dollar from the member's IRA custodian.

These two letters will serve as a paper trail for the church. If the church conducts giving pledges, the value of the distribution can be applied against the pledge, as perhaps would be done with a stock gift, but under no circumstance should the gift be acknowledged as a cash contribution and recorded on the member's contribution statement for tax deduction purposes.