

Free Lunch?
Discover a Savvy Way to Be Tax Efficient
While Achieving Your Charitable Goals

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Anyone aged 70 ½ years or older who has not considered making their charitable gifts directly from their IRA is missing out on a terrific benefit.

These donors may direct up to \$100,000 from their IRA to charity each year. While this qualified charitable distribution (QCD), which is also known as IRA Charitable Rollover, does not generate an income tax deduction, it does apply toward the donor's minimum required distribution amount—and is not includable in their taxable income. With the doubling of the standard income tax deduction amounts, many have lost the income tax benefits of their charitable contributions. Consequently, having their gifts come directly from their IRA provides a tax-efficient and cost-efficient alternative.

The QCD has been with us, off and on, since 2006 and was made permanent in 2015. Prior to its enactment, if a donor wanted to use IRA funds to make a charitable contribution, they would first have to withdraw the funds and then make their charitable gift. Although the donor would get a charitable deduction for the amount of their gift, they would also have to declare the amount withdrawn as income. If the donor could not itemize, they would not receive an income tax benefit for their charitable gift. If they could itemize, the tax savings attributable to the charitable deduction may not have been enough to offset the income tax attributable to the withdrawal. By not recognizing the withdrawal as income, the QCD provides income tax benefits whether the donor itemizes or not. And while the distribution does not generate an income tax deduction, the donor may still be recognized for the gift.

The QCD must be made directly by the IRA's account custodian to a "qualified" public charity to be eligible for its benefits. They cannot be made to donor-advised funds, supporting organizations, and private foundations. In addition, distributions that provide the donor with any goods or services (such as tickets to a fundraising event) are not eligible. Riverside Healthcare Foundation is a qualified public charity eligible to receive QCDs.

Beginning this year, QCD rules were expanded to allow a one-time \$50,000 distribution to fund a charitable gift annuity or charitable remainder trust. However, the donor and/or their spouse must be the annuitant or income beneficiary—and all annuity or income payments are treated as ordinary income when received. A married couple filing jointly who both qualify for QCDs may combine their \$50,000 to fund a \$100,000 charitable gift annuity or charitable remainder trust.

Beginning next year, the amount of the QCD will be adjusted for inflation. In the meantime, despite its restrictions, **QCDs may well be the closest thing to a free lunch that our tax code offers!**

For more information about QCDs and how they may benefit you, please contact Ann Offermann at 815-933-7799 or aoffermann@rhc.net. Or, consult a tax or financial advisor.