The recent tax law change may have eliminated the ability to itemize deductions for many filers due to the increased standard deduction. If you no longer have the ability to itemize, are over the age of 70½, and have charities you wish to support you may want to consider making your contributions through the Qualified Charitable Distribution process. Make sure you discuss the issue with your tax professional. Still have questions? Give me a call or visit my scheduling page to setup a phone or in-person consultation:

https://meetme.so/ChuckVercellone

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Qualified Charitable Distributions

When you reach age 70½, they can be a new way of giving.

Provided by Charles D. Vercellone, ChFC

As the owner of a traditional IRA, you are likely aware that you are obligated to make required minimum distributions (RMDs) once you reach age 70½. However, you may not have been aware that the RMD can be taken in the form of a qualified charitable distribution, where a qualified charity receives all or part of your RMD, satisfying your obligation and offering a potential tax advantage. (Withdrawals from traditional IRAs are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty.)[1]

Keep in mind, this article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax or legal professionals before modifying your charitable giving strategy.

There are a few rules, naturally. First, you can only make a qualified charitable contribution after you reach age 70½. So, if your 70th birthday takes place January 17, you're not going to be able to make the qualified charitable distribution until July 17, six months later.[1]

There is a cap of $100,000 of qualified charitable distribution per individual; you can donate more, if you want, but the overage may not have any tax benefits.[1]

To qualify, the charity must be a qualified 501(c)3 organization. You must also make your distribution check payable directly to the charity in question, as opposed to a director or another individual in the organization. Were you to do that (write a check to an affiliated individual who would then use those funds to write another check directly to the organization) that would be a taxable distribution.[1]

Would you be able to split your qualified charitable contribution in half, giving half or part to the qualified charity and the remainder as a regular RMD? Yes, you can. You would perform

them as separate actions, but so long as they add up to the necessary RMD, you should be fine. Consult with a tax or legal professional before making any changes to your strategy.[2]

How do you report it on your taxes? There is a section on Form 1040 for reporting IRA distributions. Regular RMDs are taxable events, but for qualified charitable contributions, you would enter 0 (zero) for the taxable amount (assuming that the full amount qualified) and enter "QCD" next to the line.[2]

If you are interested in supporting a charity, a qualified charitable contribution may be a good option for you to consider. Talk with your tax or financial professional about your options.

Citations.

1 - investopedia.com/articles/financial-advisors/032116/how-use-qcd-rule-reduce-your-taxes.asp/ [12/10/18]
2 - irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals [5/30/18]

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