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Qualified Charitable Contributions from IRAs Rolly Reed, H&S Companies

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As another year comes to a close, many of us are inundated with phone calls from various organizations requesting charitable gifts. Some of the more relentless callers are seeking as little as \$10 and are willing to call after 8 p.m. and on Sundays to get it!

For years, charitable contributions have been deductible on schedule A of one's federal tax return. However, with the passage of the Tax Cuts and Jobs Act of 2017, many taxpayers no longer benefit from itemizing. Thankfully, this tax law change hasn't deterred everyone from being charitable, but for some (age 70 ½ and older), there is another option with significant tax benefits to consider – Qualified Charitable Distributions (QCDs).

To be eligible to make QCDs, you must be at least 70 ½ and have an IRA (not SEP or SIMPLE). If this is you, the IRS will allow you to exclude from gross income up to \$100,000 in QCDs made to qualifying charities each year. If your spouse also qualifies and you file jointly, that's \$200,000 per year of potential exclusions from income!

So what's the difference between QCDs and normal distributions from an IRA? For starters, QCDs must be made directly from the IRA trustee to the charitable organization. For those wanting to personally deliver their donations, have your IRA trustee mail you a check made payable to your chosen charity.

Another difference is how the distributions are reported on your federal tax return. For example, let's assume that your required minimum distribution for 2019—which you're required to take no later than December 31, 2019—is \$25,000. You receive a \$5,000 cash distribution from your IRA in June 2019 and write a personal check to Charity A for the same amount in July. In December, you receive a \$20,000 check made payable to Charity B, which you personally deliver. On your 2019 taxes, you would report the \$5,000 June distribution as income and be eligible for a \$5,000 charitable deduction for the personal check you wrote to Charity A. The \$20,000 distribution to Charity B in

December does not qualify as a charitable deduction, but you get to exclude it from your taxable income.

For some, QCDs have distinct advantages over regular charitable contributions. If you're 70 ½, have an IRA, and have charities you would like to support, ask your tax professional how QCDs might work for you.