INFORMATION FOR YOU: *FROM THE STEWARDSHIP COMMITTEE*

What's a QCD?

A way to donate money to charity and still enjoy tax benefits under the new tax law.

A qualified charitable distribution is a withdrawal from a Traditional IRA that is sent directly to a charity. In other words, the funds don't pass through your hands. You instruct your IRA custodian to send the money straight to the group or groups you specify. You must be age 70½ or older at the time of the donation. You could use a QCD to fulfill your First Presbyterian Church pledge in full or in part.

A qualified charitable distribution allows a person to "do good" and, at the same time, reduce her/his taxes.

After you reach age 70½, you are required to withdraw funds annually from your IRA and report the distributions as income on your tax return. So, if you're required to withdraw $6,000 from your IRA in 2018, that will increase your income this year by $6,000.

But let's say you are charitably inclined and plan to donate money to a half-dozen groups before year-end. If you tell your IRA administrator to send $1,000 to each charity, those contributions—in the eyes of the Internal Revenue Service—will satisfy your RMD for the year. And you wouldn't need to include the $6,000, as you normally would, as income on your tax return.

A qualified charitable distribution preserves a way to donate money to charity and still enjoy tax benefits under the new tax law.

Traditionally, people who contribute large amounts to charity itemize their deductions; as such, they get a tax benefit for their gifts. Under the new tax law, many of these same people will be better off using the new and much larger standard deduction: $13,600 for individuals age 65 and older, and $26,600 for couples age 65 and older filing jointly. But in doing so—in not itemizing—they get no tax benefit from donating to charity.

This is where a QCD helps. First, if you give money to a charity—and, again, if you are 70½ or older—you can still get a tax break, only now it comes in the form of an IRA withdrawal (and the ability to exclude that income from your tax return), instead of an itemized deduction. Many things are tied to adjusted gross income that can cost you. Among them: the amount of Medicare premiums you pay, your ability to deduct certain items on your taxes, and taxation of Social Security benefit. You can transfer as much as $100,000 a year from your IRA to any combination of qualified charities, and none of that money would be taxed.

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