

## **DONATING TO BCA using a Qualified Charitable Distribution**

*Jim Hoff*

Although the Tax Cuts and Jobs Act of 2017 will benefit many individuals by reducing their federal income tax, it also may have a significant and negative impact on charitable giving in the United States. Because more and more taxpayers may choose to take the standard deduction rather than itemizing starting this year, they will not be eligible for tax savings from donations to churches or other eligible nonprofit organizations. As a result, these organizations may see a significant drop in charitable contributions.

However, if you are over age 70 ½ and have retirement funds invested in an IRA, there is a way you can take advantage of the higher standard deduction and still receive a direct tax benefit for charitable contributions. This can be accomplished by using some of the funds in your IRA to make a **Qualified Charitable Contribution (QCD)** directly from to a qualified charity.

QCDs offer a number of advantages. First, QCDs can be counted toward satisfying your required minimum distribution (RMD) for the year, as long as certain rules are met. In addition, a QCD excludes the amount donated from taxable income, which is unlike regular withdrawals from an IRA. Keeping your taxable income lower also may reduce the impact to certain federal programs, including Social Security and Medicare. Finally, QCDs don't require you to itemize, which means you can take advantage of the higher standard deduction, but still use a QCD for charitable giving.

To take advantage of the benefits of a QCD to maximize the value of your charitable contributions, the QCD must conform to a number of requirements:

- You must be at least 70½ years old at the time you request a QCD.
- The charitable organization must be a 501(c)(3) eligible to receive tax-deductible contributions (like BCA).
- The IRA account must be a traditional IRA, inherited IRA, or an inactive SEP / SIMPLE IRA.
- Funds must be transferred directly from your IRA custodian to the qualified charity. You can accomplish this by requesting your IRA custodian issue a check from your IRA payable to the charity.
- The QCD must come out of the IRA by the RMD deadline, which is generally December 31st each year.

A QCD is reported by your IRA custodian as a normal distribution on IRS Form 1099-R for any non-Inherited IRAs. For Inherited IRAs, the QCD will be reported as a death distribution. Amounts distributed as a QCD can be counted toward satisfying your RMD for the year, up to the total amount of the RMD, or \$100,000, whichever is greater. You should keep an acknowledgement of the donation from the charity for your tax records.

If you didn't make a QCD prior to the December 31, 2018 deadline for 2018 taxes, it's too late to reduce your 2018 tax bill. But it's not too late to start planning for QCDs during the 2019 tax year. To learn more about QCDs, you can contact your tax advisor or IRA custodian. And please keep BCA and the BCA Endowment in mind when you plan your QCD strategy for 2019.

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