IRA QUALIFIED CHARITABLE DISTRIBUTIONS

IRA Qualified Charitable Distribution (sometimes called a IRA Charitable Rollover)

The IRA Rollover (Qualified Charitable Distribution or QCD) was first enacted in 2006 as part of the Pension Protection Act. It was made permanent through the *Protecting Americans from Tax Hikes Act of 2015 (PATH)*. **This code provision allows individuals aged 70½ and older to donate up to $100,000 from their Individual Retirement Accounts (IRAs) to public charities without having to count the distributions as taxable income**. For individuals who do not need more income, this withdrawal will count as part or all of the Required Minimum Distribution (RMD).

Without this rollover option, a retiree in a 32% marginal bracket would need to withdraw about $147,060, declare it as income received from the IRA, set aside the tax (about $47,060) to have $100,000 left to give to a favored charity.

Since the provision was first enacted, Americans have made millions of dollars of new contributions to nonprofits – such as the ***Tacoma Rotary Foundation***.

Mr/Ms Donor	Normal withdrawal from IRA	IRA Charitable Distribution
Withdraw from IRA	$147,060	$100,000
32% Tax Bracket	$ 47,060	$0
Final Donation	$100,000	$100,000

Tax-free distributions under section 408(d)(8) for charitable purposes

Public Law 114-113, Division Q section 112 (PATH Act of 2015), extends tax-free distributions from individual retirement plans for charitable purposes beginning after December 31, 2014. There is no special reporting of these distributions on Form 1099-R.

Both Traditional and Roth IRA's are the only plans acceptable for this provision. The donor and the IRA plan custodian must follow strict rules to ensure there is no taxable event:

1. Donor must be at least 70 ½ and have an IRA (can roll a traditional retirement plan into an IRA first, then transfer)
2. Donor contacts IRA Custodian in writing and asks for transfer DIRECTLY to the qualifying charitable organization with Charity named as payee under Sec. 170(b(1)(a), other than a private foundation or donor-advised fund.
3. The transaction must NOT include a quid pro quo of any kind from the charity (something in return) as a result of this transfer. (Any gift or benefit will disqualify the transfer and it then becomes taxable to the donor!)
4. Transfer must be postmarked by Dec 31st of the year of the gift and the charity must receive the gift directly without it going to the donor first.(if you have check-writing authority on your IRA, the check must be DEPOSITED into the charity's account by Dec, 31st!)

Tax Benefits to the donor

Avoids the percentage limitation on charitable contributions – which limits donation of cash to 60% of AGI in 2019 and appreciated assets to 30% of AGI. Thus, a donor can effectively go past the limit without tax penalty.

At higher incomes, it won't push the donor up into the Itemized Deduction & Personal Exemption phase-outs.

Helps those who use Standard Deduction to still get a tax break on the donation, and won't increase the amount of income subject to the tax on Social Security.

More information is available at the website below:

IRS https://goo.gl/kffkwM *(type directly into address bar, hit ENTER & scroll to bottom of IRS article)*

Tacoma Rotary Foundation *recommends consulting a tax professional or lawyer for advice if you contemplate making a sizable charitable gift. For more information, please contact Rick Oldenburg (253) 691-3195.*

See other side for *Stock Gift Information and Advantages*

Rotary Club of Tacoma #8

TACOMA
Rotary Foundation

Advantages of Giving Appreciated Stock Instead of Cash

If you have the choice of giving highly appreciated stocks versus writing a check, you can gain a substantial tax deduction as well as a tax-advantage if you itemize deductions on your IRS Form 1040.

Two taxes are avoided by the gift of stock. The first is capital gain on stock gains, the other is the potential savings in possible income tax. Both can be utilized to your advantage if you donate stock correctly.

1. If you have highly appreciated stock, you will pay between 15% and 23.8% as a tax of any gain on the sale of the stock if YOU sell the stock and give the proceeds to your favorite charity or charities.
2. The sale of stock and any resulting gain becomes income on your 1040 which can potentially put you into the next higher tax bracket. It may also increase threshold amounts that effect medical bills and employee expense deductions, and could increase the amount of Social Security income that gets taxed. All of which add up to a possible hefty increase in taxes.

AVOID TAXES BY DOING THIS and ***SAVE TAXES*** IN THE BARGAIN!

First – DO NOT SELL THE STOCK YOURSELF – instead, transfer the shares directly from your brokerage account to your favorite charity or charities and enjoy:

a. **a tax deduction for the full market value of the stock** on the day it hits the charity's brokerage account (your deduction is the average of the high and low on the day the stock reaches the charity!)
b. **paying no Capital Gain tax!** The charity sells the stock in its account, and public 501(c)(3) charities do not pay capital gain taxes, because they are a qualified charity.
c. **fulfilling your philanthropic intent in a very smart and tax-wise manner**.

Let's take a look at a donor in a 32% marginal bracket and the difference giving stock vs. cash has on her/his taxes.

NOTE: The tax deduction on gifts of appreciated property, such as stock or real estate, is limited to 30% of the donor's adjusted gross income (generally the last line on the front page of the IRS Form 1040).

HOWEVER, tax deductions for gifts in excess of the 30% AGI limit can be carried forward for FIVE years as a deduction within that period – be sure to check with a tax attorney or accountant prior to making a very large donation of publically-traded stock to make sure you know all the facts based on your own personal tax situation.

Ms/Mr Donor	Scenario 1 Donor Sells Stock and gives cash	Scenario 2 Donor Transfers Stock Directly to Charity
Tot. Gift $100,000	$131,234	$100,000
23.8% Cap. Gain	$ 31,234	$0
Final Donation	$100,000	$100,000
Tax Deduction	$100,000	$100,000
Inc.Tax Saved (32%)	$32,000	$32,000
Total Taxes Saved	$32,000	$63,234

*Scenario 2 saves $31,234 in Capital Gains and leaves that $31,234 in the stock account to use or give away in the future. Both create a $32,000 Income tax deduction **(32% tax bracket)**.*

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See other side for *IRA Qualified CHARITABLE Distribution Information and Advantages*