Qualified Charitable Distributions (QCDs)

If you are:

- age 70 ½ or older in 2018,
- have an IRA and
- donate to charity and/or a church or other allowable organization

this advice will save you tax if you aren't already doing this.

(*Important note: If you or family member will turn 70 ½ in 2018, you cannot use this strategy until you literally turn 70 ½.)*

Using a QCD is a tax-savvy strategy that allows you to transfer up to $100,000 per year from your IRA directly to a qualified charity. It is only available to IRAs and individuals who have reached required minimum distribution (RMD) age (70.5). Any amount processed as a QCD counts toward your RMD requirement and reduces the taxable amount of your IRA distribution. **<u>This lowers both your adjusted gross income and taxable income, resulting in a lower overall tax liability.</u>**

So, if a 70-year-old couple, who have an annual RMD between the two of them of $24,000, can instead direct $10,000 of it to charity as a QCD, it will reduce their taxable income by $10,000 and they still get to claim the same $26,550 standard deduction. In this case, if the couple is in the new 24% tax bracket, by using this strategy, they would have saved $2,400 in federal taxes alone — and potentially more in state tax savings. As you can see, there is good reason to perform a QCD if you plan to take the standard deduction in 2018, which is why this strategy will likely become commonplace in 2018.

If you wish to make a QCD to KC Help:

Provide the following information to Your Broker:

Name of Charity:	Knights Community Hospital Equipment Lend Program Service (KC HELP)
Address of Charity:	324 W. Margret St. Pasco, WA 99301
EIN:	91-1859965

For More Information Call Jerry Rhoads @ 509 528-2941

Don’t inadvertently miss out on a QCD

If you manually request your RMD each year, identify how you want to take advantage of the QCD before processing the RMD, because once you take out your distribution, you can’t give it back.

If you are set up to automatically receive your RMD each year (especially early in the year), you may want to turn off the payment and instead request two distributions: the QCD and any remaining RMD amount. For example, if an individual is automatically set to receive a $24,000 RMD in January, they could stop the automatic distribution and subsequently request two distributions: a $10,000 (*or any amount you choose*) distribution directly to a public charity (*or to a number of different churches or* *charities)* of their choice, and a $14,000 regular distribution. Together, these will have satisfied the RMD requirement for the year.

If you automatically receive monthly distributions from your IRA, you will want to reduce this amount by what you intend to give to charity to preserve the QCD strategy. For example, if an individual is receiving $2,000 per month from their IRA ($24,000 over the course of the year), they will want to adjust the monthly payment down to $1,167 (so that they add up to $14,000 over the course of the year). That way $10,000 is preserved for the QCD strategy.

Tax Return Considerations for QCDs (*THIS IS AN IMPORTANT PART TO EMPHASIZE!!*)

Currently, your IRA custodian is not required to specially identify the QCD on your annual 1099-R form. Because of that, the responsibility is on you to inform your tax preparer that you performed a QCD. If you don't let your preparer know, they will likely report this transaction as fully taxable, which would negate the benefit of your smart planning. (*If you prepare your own return, line 15a shows the amount you took out of your IRA during the year. It should be reduced by the charitable amount so that the net amount shows on line 15b.* ***QCD*** *will print on that line if you use software. Even tax preparers make mistakes with this, so look for "QCD" to print on line 15.*)

Start planning for QCDs today

Even though the new law makes it more difficult to obtain a financial benefit for your charitable donations, all is not lost. If you are over age 70.5, consider taking advantage of the QCD. If you aren't at that age yet, consider how you can intentionally position yourself to take advantage of these rules once you do turn 70.5. Start by evaluating how much you save in tax-advantaged accounts and how you spend your savings to support your retirement lifestyle. By using, or preparing to use, a QCD, you can meet your RMD requirement, satisfy your charitable intents, all while saving money on taxes both today and into the future.

This information is not intended to be a substitute for specific individualized tax advice. Please discuss your specific tax issues with a qualified tax adviser to see if this strategy makes sense for your unique situation and consider the following questions:

- Are you likely to claim the standard deduction, and would you benefit from a QCD?
- If you are younger than age 70½, how should you adjust your retirement spending to take advantage of this provision once you do turn 70½?

Please know that we at KC Help are humbled and very appreciative if you choose to make KC Help part of your QCD.