

Qualified Charitable Distribution:

Qualified Charitable Distribution (QCD) is a great way to give tax-free to Sitka Fine Arts Camp if you are 70 ½ years or older and you don't have enough expenses to itemize under the new tax law enacted in 2018.

If you are over the age of 70 ½, the government requires you to take annual distributions (withdrawals) from your retirement account—a provision known as the required minimum distribution (RMD). Up to a certain amount, these distributions may be made tax-free as long as they are directed to a qualified 501(c)(3) organization, (such as Sitka Fine Arts Camp), an option known as the qualified charitable distribution (QCD).

Why do I have to take the RMD?

When you put money into your retirement plan account on a pre-tax basis, you have not yet paid taxes on it. You also receive a tax deduction if you save in an IRA. When your account grows, it continues to grow tax-deferred. To ensure that taxes are eventually paid on this money, the IRS has determined that distributions must begin (and income taxes be paid) at age 70 ½ in a specific schedule. Depending on how much money you have in an IRA, the RMD is made using the calculation provided by the IRS, however, each custodian or your investment advisor can help calculate the annual amount. For example, an IRA worth \$500,000 would have an RMD of roughly \$24,000 for somebody turning 70 ½.

What is a Qualified Charitable Distribution (QCD)?

Up to \$100,000 of your annual RMD from IRAs may be distributed directly to a 501(c)(3) public charity, enabling you to avoid paying income taxes on that amount. This option is known as a qualified charitable distribution (QCD).

The QCD applies to traditional, rollover and Roth IRAs. SEP and Simple IRAs also qualify as long as you are no longer actively receiving employer contributions. Employer-sponsored plans do not allow for QCD treatment.

How do I do it?

Contact your IRA custodian and/or investment advisor to calculate your RMD. Then decide how much of the RMD you wish to give away, knowing that you will not have to pay tax on that amount. Tell the custodian who the 501(c)(3) organization is and supply their address. After filling out a form, they will have you sign they then will cut the check and mail it to your non-profit of choice. It is best to let the charity know that the gift is coming as sometimes the custodian does not put on the check who is making the QCD donation.

More information:

<https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions>

<https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals>