

Are You at least 70 ½ years old? Here's a Way to Reduce Taxes through Donating to St. Mark's.

- ➔ Qualified Charitable Distributions (QCDs) are a great way to donate to St. Mark's.
- ➔ QCDs also count toward your Required Minimum Distribution (RMD) and will reduce your taxes!!
- ➔ This can also reduce your taxable social security benefits and Medicare premiums.

Starting in 2018, the federal standard deduction amounts were greatly increased over previous years by the Tax Cuts and Jobs Act¹. Nearly 90% of taxpayers now take the standard deduction² which is significantly more than in years prior to 2018.

If you are at least 70 ½ years old, you can donate to St. Mark's and other qualified charitable organizations from your Traditional (and some other types of) IRAs³ via QCDs without increasing your taxes. This is because QCD amounts are excluded from your federal adjusted gross income.

RMDs are now generally required starting in the year you turn age 73⁴. Without using QCDs, RMD withdrawals are added to your adjusted gross income and thus fully taxable. By using QCDs, these donations count as part of your RMD and thus actually decrease your tax bill. To repeat, QCD donations are excluded from your adjusted gross income. And reducing your income may also reduce your taxable social security benefits and Medicare premiums.

For example if you are 73 and you are in the federal 22% tax bracket, then for every \$1000 donated via QCDs you will reduce your federal taxes by \$220. More tax savings will come in many state tax returns. For Colorado, this would mean an additional \$44 tax savings given the current 4.4% tax rate. In this example, a Coloradan would save over 26 cents of every dollar donated.

If you are older than 70 ½ and less than 73, using QCDs may still make sense since distributions from your IRAs will ultimately lower future RMD amounts.

To donate with QCDs to St. Mark's, direct your retirement account administrator (financial firm, bank, etc.) to transfer your donation from your IRA electronically to St. Mark's or by check payable to St. Mark's Episcopal Church. Contact your account administrator to learn how to do this.

While we provide this summary information, St. Mark's does not provide financial or tax advice. Consult your tax advisor or tax accountant.

¹ <https://www.taxpolicycenter.org/briefing-book/what-standard-deduction>

² <https://www.irs.gov/newsroom/expanded-tax-benefits-help-individuals-and-businesses-give-to-charity-during-2021-deductions-up-to-600-available-for-cash-donations-by-non-itemizers>. (The additional deduction of up to \$600 ended after 2021.)

³ Or from other retirement accounts including inherited IRAs, inactive Simplified Employee Pension (SEP) plans and inactive Savings Incentive Match Plans for Employees (SIMPLE) IRA. Check with your financial advisor to make sure your plan is eligible to participate. See <https://www.fidelitycharitable.org/guidance/philanthropy/qualified-charitable-distribution.html>

⁴ <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions#:~:text=List%20of%20FAQs-.When%20must%20I%20receive%20my%20required%20minimum%20distribution%20from%20my,you%20turn%2070%20C2%BD%20in%202019.>

Addendum: Of course, there are details. Read about them here:

<https://www.schwabcharitable.org/giving-with-ira>

<https://www.fidelity.com/building-savings/learn-about-iras/required-minimum-distributions/qcds>

<https://www.fidelitycharitable.org/guidance/philanthropy/qualified-charitable-distribution.html>

<https://www.investopedia.com/taxes/can-i-use-money-my-ira-donate-charity>