

## Are You 70 ½ year old? Here's a Way to Reduce Taxes through Contributions to St. Mark's.

- Qualified Charitable Distributions (QCD) are a great way to contribute to St. Mark's success.
- QCDs also count toward your Required Minimum Distribution (RMD) AND can reduce your taxes!!
- Reducing your income can also reduce your taxable social security benefits.

Starting in 2018, the federal standard deduction amounts were greatly increased over previous years by the Tax Cuts and Jobs Act<sup>1</sup>. Nearly 90% of taxpayers now take the standard deduction<sup>2</sup> which is significantly more than in years prior to 2018. Such married individuals may only deduct up to \$600 in charitable contributions. Or up to \$300 if you are a single or married individual filing separately.<sup>3</sup>

If you are at least 70 ½ years old, you can contribute to St. Mark's and other qualified charitable organizations via QCDs from your Traditional IRAs<sup>4</sup> far beyond this \$600/\$300 maximum without increasing your taxes. This is because QCD amounts are excluded from your federal adjusted gross income. For some not yet of age 72, it makes sense to do this because distributions from your Traditional IRAs will ultimately help lower your future RMD amounts.

RMDs are generally required starting in the year you turn age 72<sup>5</sup> and such amounts are added to your adjusted gross income and thus are fully taxable. Since you may count each QCD contribution to be part of your RMD, you will actually decrease your tax bill. To repeat, QCD amounts are excluded from your adjusted gross income. Also, reducing your income can also reduce your taxable social security benefits.

For example if you are 72 and you are in the federal 24% tax bracket, then for every \$1000 contributed via QCDs you will reduce your federal taxes by \$240. More tax savings will come from many state tax returns. This includes Colorado which would mean an additional \$45 tax savings given its 4.5% tax rate. So, Coloradans would save nearly 30 cents of every dollar contributed to a qualified organization such as St. Mark's.

You do this by directing your retirement account administrator (financial firm, bank, etc.) to write a check from your retirement account that is payable to a qualified organization such as St. Mark's Episcopal Church. Contact your account administrator learn how to do this.

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

<sup>2</sup> <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>.

<sup>3</sup> Ibid.

<sup>4</sup> Or from other retirement accounts include inherited IRAs, inactive Simplified Employee Pension (SEP) plans and inactive Savings Incentive Match Plans for Employees (SIMPLE) IRA. See <https://www.fidelitycharitable.org/guidance/philanthropy/qualified-charitable-distribution.html>

<sup>5</sup> <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%C2%BD%20in%202019.>

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

From Fidelity:

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

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

From Investopedia:

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

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