

Qualified Charitable Distributions

(Also referred to as Charitable IRA Rollover Gifts)

Did you know the gift of a Qualified Charitable Distribution (QCD) benefits donors aged 70½ and up?

The Qualified Charitable Distribution is an excellent way to show your support for Sacred Heart Academy Bryn Mawr and receive tax benefits in return. As you plan your required minimum distributions (RMD) for this year, consider using your IRA account to make the most of your charitable giving. You receive a tax benefit even if you take the standard deduction!

It's important to consider your tax situation before deciding whether to make a charitable contribution from your IRA. Be sure to share this gift plan with your financial advisor.

To qualify

- You must be 70½ or older at the time of gift.
- Distributions must be made directly from a traditional IRA account by your IRA administrator to Sacred Heart Academy.
- Gifts must be outright, meaning they go directly to Sacred heart Academy. Distributions to donor-advised funds or life-income arrangements such as charitable remainder trusts and charitable gift annuities do not qualify.
- Gifts from 401k, 403b, SEP and other plans do not qualify. Ask your financial advisor if it would make sense for you to create a traditional IRA account so you can benefit from an IRA Qualified Charitable Distribution.

Tax Benefits

- IRA Qualified Charitable Distributions are excluded as gross income for federal income tax purposes on your IRS Form 1040.
- The gift counts toward your required minimum distribution for the year in which you made the gift.
- You could avoid a higher tax bracket that might otherwise result from adding an RMD to your income.

Example

Jane is 71 years old and wants to make a gift to Sacred Heart Academy. She has \$500,000 in her IRA and wants to gift \$20,000. She can authorize the administrator of her IRA to distribute \$20,000 to Sacred Heart Academy. Because the IRA Qualified Charitable Distribution is excluded from income, Jane will not be eligible for a charitable income tax deduction — but she still receives tax savings. The \$20,000 distributed to Sacred heart Academy will be counted toward her annual minimum required distribution and she will not pay income tax on the portion given to the organization.

Questions and Answers

What's the IRS Rule?

The QCD allows individuals 70½ and older to make direct distributions up to \$100,000 per year to 501(c)(3) charities without having to count the distributions as income for federal income tax purposes. No charitable deduction may be taken, but distributions will qualify for all or part of the IRA owner's required minimum distributions.

Who qualifies?

Individuals 70½ or older at the time of the contribution (you have to wait until 6 months after your 70th birthday to make the transfer).

How much can I distribute?

\$100,000 per year. The distribution must be outright to charity.

From what accounts can I make transfers?

Distributions must come from your IRAs directly to Sacred Heart Academy. If you wish to help us with a gift from another retirement asset such as a 401k, 403b, etc., you must first roll those funds into an IRA. Then you can direct the IRA administrator to distribute the funds from the IRA directly to Sacred Heart Academy.

Can I use the QCD to fund life-income gifts (charitable gift annuities, charitable remainder trusts, or pooled income funds), donor advised funds or supporting organizations?

No, these are not eligible.

How will Sacred Heart Academy count the gift?

We will give you full credit for the entire gift amount. You will also receive a letter, which states that the gift qualifies as a QCD to use for tax reporting purposes.

What are the tax implications to me?

- Federal — You do not recognize the distribution to Sacred Heart Academy as income, provided it goes directly from the IRA administrator to us. Therefore, you are not entitled to an income tax charitable deduction for your gift.
- State — Each state has different laws, so you will need to consult with your own advisors. Some states have a state income tax and will include this distribution as income. Within those states, some will allow for a state income tax charitable deduction and others will not.

Other states base their income tax on the federal income or federal tax paid. Some states have no income tax at all.

Does this transfer qualify as my required minimum distribution?

Yes. Once you reach 70½, you are required to take required minimum distributions from your retirement plans each year according to a federal formula. QCDs count toward your minimum required distribution for the year in which you make the gift.

Can my spouse also make a Qualified Charitable Distribution?

Yes, every individual who is the owner of a traditional IRA can use the Qualified Charitable Distribution for up to \$100,000 each year.

How do I know if a Qualified Charitable Distribution is right for me?

Share this information with your financial advisor. Our office can provide additional information and examples of this gift plan. Call us. We would be delighted to help.

What is the procedure to execute a QCD?

We can offer a sample letter you can send to your plan provider to initiate the distribution. Please let your plan administrator know this gift must be sent prior to December 31 to qualify as a charitable distribution for the tax year. Make sure you contact us when you direct the distribution so we can look for the check from your IRA administrator.

For more information, please contact the Sacred Heart Academy Advancement office at 610-527-3915, ext. 223.

Important Notes

If your administrator provides you an IRA checkbook, please note that the date of your QCD is NOT the date you send the distribution check, but the date that your IRA administrator transfers the funds to the charity. If you want your distribution check to be credited toward the current tax year, it is critical that you mail your check several weeks before the end of the year to ensure there is time for the check to be received by common reporting standards (CRS) and to clear your account. This is especially true if you are relying on those gifts to fulfill your required minimum distribution.

Be sure to check with your financial advisor to determine whether this gift plan is right for you. This information is not meant as tax or legal advice.