The IRA Qualified Charitable Distribution

How The Dayton Foundation Can Help You Make the Most of Your Charitable Giving Through Your Traditional IRA

Are you over the age of or approaching 70-1/2 and charitably inclined? Do you have a traditional IRA? By working with The Dayton Foundation to take advantage of a traditional IRA qualified charitable distribution (QCD), you may transfer up to $100,000 to a 501(c)(3) public charity and not have it show in your income for tax purposes, resulting in substantial tax savings for you. A married couple with two separate IRAs may take up to $200,000 tax free annually. Please note that the SECURE Act of 2019 pushes back the age to 72 for a required minimum distribution (RMD) but has no impact on an individual's ability to take a QCD at age 70-1/2.

The Dayton Foundation offers eligible individuals several options for QCDs. Transfers may be made to create a Scholarship Fund, which encourages education by providing scholarships to deserving students based upon your suggested academic interest or other criteria. A Field-of-Interest Fund that supports a particular area of interest – such as children, education, the arts, health or the environment – and relies on the Foundation's expertise to determine where community need is greatest, is another option. Traditional IRA assets also may be used to create a Community Impact Endowment Fund, which enables the Foundation to help address our region's changing needs by increasing discretionary grants awards and undertaking new initiatives. And finally, one of the most popular ways for individuals to use IRA assets is to establish a Designated Fund through the Foundation that will make grant awards to your specific charity or charities.

Each of these charitable giving vehicles can help you simplify your giving and gain significant tax savings. When directing your

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IRA Qualified Charitable Distribution Illustration

	Without QCD	With QCD
Income before IRA	$200,000	$200,000
IRA RMD	+20,000	+0
Adjusted Gross Income (AGI)	$220,000	$200,000
Standard Deduction*	($26,600)	($26,600)
Taxable Income	**$193,400**	**$173,400**
Federal tax savings ($20,000 x Federal tax rate 24%)		$4,800
State tax savings ($20,000 x state tax rate 4.60%)		$920
Total Estimated Tax Savings		**$5,720**

*Standard deduction of $24,000 plus $1,300 for each individual age 65 or older.

An additional $5,720 goes to charity by utilizing a qualified charitable distribution and lowering the Adjusted Gross Income.

time by not having to coordinate multiple gifts to different charities. You also can take the tax break in the year that you need it and spread your donations over multiple years.

Please note that you are not limited by the amount of your individual RMD distribution. You and your spouse may each take up to $100,000 even if it is over and above the amount of your RMDs. However, there is one important restriction to keep in mind per IRS regulations. **Donor-Advised Funds are not considered to be QCDs, so transfers may not be made to a supporting organization, private foundation or Donor-Advised Fund, including a Charitable Checking Account.**SM

Case Example

George and Martha are married and file their taxes jointly. George, who is 82, has a RMD of $10,000 a year. His wife Martha, who is 72, also has an RMD of $10,000 a year. George and Martha give approximately $15,000 to charity every year. Their financial advisor explained that by writing checks out of their bank account like they had in the past, they were using money that had already been taxed. He also reminded George and Martha that they will no longer be able to itemize under the new tax laws. Their standard deduction now is $26,600 as a couple, a threshold they will not be able to meet because they don't have a mortgage and their state and local taxes are minimal.

To help George and Martha make the most of their charitable dollars, the advisor suggested they use their other "pot" of retirement money – their IRA assets – that requires both of them to take $10,000 per year. Instead of taking their RMDs as income each year, they could donate their RMDs to a Designated Fund at The Dayton Foundation. By doing this, they could avoid the $20,000 in RMDs being counted in their taxable income, saving them over $5,720 in taxes annually. It also allows for the entire $20,000 to go to charity.

We're here to help you help others:

Michelle L. Lovely, vice president, Development and Donor Services
mlovely@daytonfoundation.org | (937) 225-9948

Victoria Sorg, senior development director
vsorg@daytonfoundation.org | (937) 225-9926