

Procedure for Making a Gift from your IRA to benefit Saint Barbara Parish at Old Mission Santa Barbara

As you may be aware, the IRS requires taxpayers over age 72 to take a **Required Minimum Distribution (RMD)** from their IRAs each year. This forced IRA distribution adds 'taxable income' to your annual income tax return –thus increasing the amount of taxes you pay to the U.S. Government at the end of the year. However, by utilizing a Qualified Charitable Distribution (QCD), which you can begin when you are 70½, you can donate your RMD to charity, rather than using cash, and reduce your overall tax liability.

Typically, the tax benefit of making charitable gifts is realized only by those who itemize deductions when filing their tax returns –not by those who file with a standard deduction. However, when you make a QCD, the distribution is instead *automatically* omitted from your **Adjusted Gross Income (AGI)**. This means the tax benefit from a QCD can be realized by **all individuals**—regardless of whether they take the standard deduction or itemize their deductions. **This is GREAT news for anyone over age 70 ½, since many taxpayers in that age bracket take the standard deduction.**

A direct reduction to your AGI has a ripple effect on your overall tax liability that can yield additional tax benefits:

1. A lower AGI may trigger a reduction in taxable Social Security benefits and/or in future Medicare premiums.
2. Lowering your AGI can help increase other potential itemized deductions, such as medical expenses or **miscellaneous deductions**. This is primarily due to the fact that these deductions must exceed a certain percentage of adjusted gross income before you can count them against your tax liability. Therefore, decreasing AGI creates a lower 'hurdle' before those deductions provide tax savings for you.
3. Finally, depending on your state residency, using a QCD to lower your AGI may provide a reduction in your state income tax liability. This is a state tax savings that would otherwise not be received by taxpayers in states that do not allow itemized deductions.

To make a Qualified Charitable Distribution (QCD), you must be over age 70 ½ and own an IRA account. A QCD will typically be made from a Traditional IRA account (versus a Roth IRA) and must go directly to a qualified 501(c)(3) organization (gifts to private foundations and donor-advised funds are not eligible for QCD treatment). If you use this strategy, make sure you work with your tax preparer to ensure accurate reporting of the QCD on your tax return.

If you are over age 72 and taking required minimum distributions (RMDs) from your IRA account – and if you plan to donate to charity, discuss the potential benefits of a QCD with your financial/tax advisor to determine whether a QCD is a good gifting strategy for you.

What is a Qualified Charitable Distribution?

Usually when individuals take distributions from their Individual Retirement Accounts (IRAs), it counts as income for tax purposes.

An IRA charitable rollover, also called a Qualified Charitable Distribution (QCD), is an exception. Individuals age 70 ½ and older can distribute up to \$100,000 each year from their IRAs to their favorite 501(c)(3) without counting the distribution as income.

The IRS provides additional useful information on Qualified Charitable Distributions [here](#).

What is a Required Minimum Distribution?

The Required Minimum Distribution (RMD) is the smallest amount an individual over 72 must distribute from their IRA each year. The penalty for missing a RMD is 50% of the amount that was supposed to have been distributed!

The IRS provides additional useful information on RMDs [here](#).

STEPS TO TAKE:

- Call your broker/custodial fund to obtain your IRA distribution form. Each broker/custodial fund has their own form and procedure.
- Read your IRA distribution form carefully, and make sure you understand everything.
- Please make sure that you indicate that the distribution is to benefit Saint Barbara Parish.
- Saint Barbara Parish is not a financial firm and does not provide financial advice and is not a substitute for the advice of a financial or tax advisor.
- Use a black ink pen.
- Complete the form
 - fill in your social security number.
 - fill in your account number.
 - In the attached letter of instructions, fill in your account number
 - Sign and date the form.
 - Sign and date the attached letter of instructions to the address provided by your custodial fund.

- It usually takes 5-10 business days from the day your form is received by your IRA custodian or broker to the day the charity receives the check. The end-of-year period is especially busy for IRA custodians and charities. If you are trying to complete your Qualified Charitable Distribution for the current tax year, it is best to send out these forms before December 7.

SAMPLE LETTER OF INSTRUCTION

Date

Company

Mailing address

City, State Zipcode

Re: Request for Qualified Charitable Distribution from IRA Account

Dear Sir or Madam:

I have attached the required form to request a Qualified Charitable Distribution from my Individual Retirement Account # XXXXXXXXXXXXXXXX, as provided by the Tax Increase Prevention Act of 2015 and Sec. 408(d)(8) of the Internal Revenue Code of 1986.

In your transmittal to this charity [Saint Barbara Parish], please state my name and address as the donor of record in connection with this transfer.

It is my intention to have this transfer qualify during the 2019 tax year. Therefore, please make certain that this distribution is postmarked no later than December 31, 2019.

If you have any questions or concerns regarding this request, I can be reached at 805-XXX-XXXX, XXXXXX@gmail.com.

Thank you for your assistance Best

Sincerely,

YOUR NAME

Date

Account Number:
