"From Where I Sit …"

QCD's & RMD's: A Tax-Saving Opportunity!

Recently, I received a call from Mr. Arthur Baker, a friend of many years and former Recording Steward of Lane Metropolitan CME Church in Cleveland Ohio, who inquired if I was aware of QCD's (**Q**ualified **C**haritable **D**istributions) in relation to RMD's (**R**equired **M**inimum **D**eductions). And although I was aware of RMD's, I was only remotely familiar with the details of the QCD's and how they could benefit eligible pastors and laity of the CME Church who held tax deferred investments.

Before proceeding, be reminded that this article is **<u>NOT TAX ADVICE</u>** and tax concerns based on information from this article should be **first referred to your <u>TAX ADVISOR OR PREPARER especially regarding "age requirements and limitations".</u>**

RMD's are mandatory, minimum, yearly withdrawals that, beginning in 2020, generally must be taken starting in the year the tax-deferred investment account holder turns 72. Since tax deferred investments grow without a tax payment required when contributed or while invested; RMD's are the tools used ultimately to require or force a minimum annual "taxable" withdrawal from the account.

In the past, generous contributors or tithers to churches have opted to itemize their deductions to reduce their tax liability. Coupled with other itemized deductions, this total often exceeded the standard deduction in the tax code. However, lately the standard deduction has been greatly increased and is now $24,800+ for a couple filing jointly in 2020 therefore eliminating many filers from itemizing and benefiting from charitable contributions. Hence creating the need for a QCD which allows a filer to still elect the standard deduction AND to derive a benefit from certain charitable gifts.

QCD's in the tax codes are generally written for IRA's (Individual Retirement Accounts) and, according to Mr. Baker, provide *"tax benefits through 'Qualified Charitable Distributions' from an IRA for amount donated to charity (<u>your church</u> and/or other charitable organizations) being excluded from your gross income. <u>You do NOT have to itemize to receive this tax benefit</u>. And again, <u>you can take the full amount of your RMD or any portion of it</u> and have that amount excluded from your taxable income. Additionally, those who do not itemize also qualify for an "above the line" charitable deduction of up to $300; however, you must have receipts."*

Mr. Baker continues, *"There are many articles available on this subject [such as Pub 590b, 571, and 1040 instructions]; however, to determine exactly how to engage this transaction, you should contact the financial institution which holds your IRA."* Such contact is especially important for holders of 401(k) and 403(b) investments. However, if 401(k) or 403(b) holders are unable to authorize a QCD from their RMD, Baker says, *"<u>you can convert your RMD or any portion of it to open an IRA</u> and then take the amount as a **Q**ualified **C**haritable **D**istribution **(QCD)** from the IRA."*

Mr. Baker ended with this quote, *"Every dollar used in support of ministry is helpful: 'Little becomes much when put in the Master's Hands.'"* I have done some research and it appears Mr. Baker's suggestions provide an opportunity, through the tax code, to **bless** the church with continued contributions AND to still claim the standard deduction. *Or at least that's the way it looks to me…*

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