

DONATING PART OF YOUR REQUIRED MINIMUM DISTRIBUTION (RMD) TO CHARITY

New tax laws are in place for 2020. Many retirees will no longer be itemizing deductions on their tax returns. If this applies to you, there might still be a charitable tax break available to you, but only if **YOU ARE REQUIRED TO TAKE A MINIMUM DISTRIBUTION** from your IRA.

If you have your IRA custodian directly transfer part, or all, of your RMD to a 501(c)3 qualified charity, the amount transferred **directly** to the charity counts toward your current year RMD and **COULD** be excluded from your taxable income for the year. That means an income tax savings for you!

Since individual circumstances vary, and this tax law was just signed into effect in December 2019, consult your tax advisor before you make any IRA withdrawals.

Assuming you are using the standard deduction for your filing status and 85% of your Social Security is taxed, here's an example of how it works:

- Your IRA custodian transfers \$1,000 of your 2020 RMD directly to Holly Springs Food Cupboard (or any 501(c)3 charity) by December 31, 2020. (\$1,000 is being used for example purposes only; you decide the amount you want to transfer.)
- You (and your spouse) are in the 22% federal income tax bracket (your tax bracket may differ).
- You show a current year taxable IRA distribution of the RMD amount **less the amount transferred directly to the charity.**
- You use the 2020 standard deduction for your filing status.
- Your 2020 federal income tax savings equals \$220 ($\$1,000 \times 22\%$).

A Qualified Charitable Distribution (QCD) tax break involves following IRS rules, and the preparation and filing of a tax return. Since each tax return is unique, consult your tax advisor for information as to how this specifically pertains to your tax situation.