

HOW TO AVOID LOSING YOUR CHARITABLE DONATION DEDUCTION

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The 2017 Tax Reform basically doubled the Standard Deduction to \$12,000 for single filers and \$24,000 for joint filers. (\$26,600 for married couples over age 65) Also, state and local income tax, sales tax and property tax deductions (commonly known as SALT) are now limited to a combined \$10,000 limit. Therefore, many folks no longer benefit from itemizing their deductions. This was a big surprise many discovered when they filed their 2018 return. However, if you answer “Yes” to the following three simple questions, you may be able to get a full “above the line” charitable deduction in addition to the standard deduction, and you can also satisfy all or part of your Required Minimum Distribution (RMD):

Are you over age 70 ½?

Do you have an IRA?

Do you make cash contributions to charities?



That’s it! Although we’re deep into 2019, if you have not yet taken your RMD and have charities you wish to donate to in 2019, consider paying your charities through your IRA.

Here’s how a Qualified Charitable Distribution (QCD) works:

- Instruct your IRA custodian to send distributions **directly** to your charity. This is often accomplished using the custodian’s regular IRA distribution form and indicating the payee as the charity. Be sure to contact your charity for accurate name and mailing instructions. You should also follow up to be sure the charity received your check and credited you with the contribution. Another idea is to request a checkbook from your IRA custodian and write a check directly to the charity. Most brokerage accounts can provide them. That way you can contribute to your favorite charities, just like you were before, but using your IRA checkbook, instead.
- Your IRA custodian will still issue the same 1099R as they would with any regular IRA distribution you take. You or your tax preparer simply indicate the total amount of distributions on 1040 line 4a and then fill in line 4b with the portion of the distribution, if any, you did *not* send directly to the charity. Be sure to also write QCD next to Line 4b. Example: say your 2019 RMD is \$10,000 and you send \$6,000 directly to your charity. For Line 4a enter \$10,000 and for Line 4b enter \$4,000 (taxable portion). Be sure to keep all transaction records.

NOTE: QCDs cannot be done with 401k accounts! However there are work-arounds to that.

QCDs first came on the scene back in 2006, but are becoming much more popular now due to the doubling of the standard deduction and SALT deduction limits. The QCD annual limit is \$100,000 per person (\$200,000 for married couples).

QUALIFIED CHARITABLE DISTRIBUTIONS



You should always seek advice from a qualified tax professional prior to taking any action.

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