12101 Woodcrest Executive Dr., Ste. 300
St. Louis, MO 63141-5047
Tel: 314-205-2510
Fax: 314-205-2505
www.connerash.com

CONNER ASH P.C.
Certified Public Accountants
and Business Consultants

An independent member of BKR International

CHARITABLE CONTRIBUTIONS FROM AN INDIVIDUAL IRA
By: SUE FREED, CPA

It's getting to be that time of year when our thoughts turn to charitable giving. When you donate to charity, remember that you can make charitable donations from your IRA account.

The Protecting Americans from Tax Hikes (PATH) Act of 2015 made permanent Qualified Charitable Distributions (QCDs) from an IRA. The act allows taxpayers over age 70½ to give IRA funds directly to a charity without having to include the withdrawal in income.

The ability to give directly to a charity and avoid reporting the income on their tax return is an advantage to a variety of taxpayers.

- For taxpayers who don't itemize deductions, it saves tax because the amount of the contribution is not shown as income.
- Taxpayers who do itemize will not have to worry about the charitable contribution being subject to itemized deduction phase outs.
- Lowering income can also help reduce the taxable amount of Social Security benefits, reduce the amount of the Medicare Surtax for taxpayers with higher incomes and make more medical expenses deductible.
- The charitable contribution counts towards the required minimum distribution.

The charitable distribution must go directly from the taxpayer's IRA custodian to the charity in order to qualify as a QCD. Additionally, the charity needs to acknowledge the gift for the taxpayer's records.

To properly report the distribution, the gross amount should be entered on line 15a of the 1040. The taxable amount to enter on line 15b, will be equal to the gross distribution less the amount that was distributed to the charity.   Write "QCD" next to line 15b to further identify the transactions.

The $100,000 is an annual limit on such charitable distributions; but the taxpayer can donate every year.

If you have questions about this or any other business or tax issue, please contact your Account Manager or Sue Freed, CPA, at (314) 205-2510 or via email at sfreed@connerash.com.