

QCD? Easy as 1-2-3 in Supporting RSF!

The April 15 tax-filing deadline is in the rear-view mirror, but for donors to charities, tax considerations never go out of season. In a recent conversation, Bill Reiss, Rossmoor Scholarship Foundation (RSF) trustee and Rossmoor resident, explained why he and his wife, Ray, prefer to use Qualified Charitable Distributions (QCDs) to make donations to their charities.

“It is the most tax-efficient method to make charitable contributions from our IRAs that we could find,” said Bill. “The process was easy and when we withdrew our annual Required Minimum Distributions [RMDs] from our IRAs, we just designated the portion we wanted to donate as QCDs. We decided what portion of the RMD for the year went directly to RSF from our IRA account as a QCD. It was simple, and we plan to do the same this year.”

For holders of traditional IRAs who are in their RMD period (currently starting at age 73), the income taxes on RMDs can be a burden, especially if the RMD withdrawals are not needed for current living expenses.

But for the charity-minded, the QCD reduces those taxes on RMDs. Here’s how: A QCD lets a taxpayer designate a portion of his RMD as a deductible contribution (up to \$111,000 per person per year) to a qualified charity such as RSF, a 501(c)3. This applies regardless of whether the taxpayer itemizes deductions or uses the standard deduction. In effect, Uncle Sam covers part of the taxpayer’s charitable donation equal to the taxpayer’s marginal tax rate multiplied by the QCD amount.

Since a QCD reduces a taxpayer’s Adjusted Gross Income, it can reduce a taxpayer’s Medicare Parts B and D annual premiums’ Income Related Modified Annual Adjustments (IRMAAs), as well as Medicare Investment Tax surcharges. Moreover, the QCD is separate from itemized charitable deductions. The two are independent, and the QCD has fewer limitations.

California follows Federal tax policy in this tax area and a QCD also reduces California income taxes by an amount equal to the QCD amount multiplied by the donor’s marginal California tax rate. All major financial advisors and financial vendors are prepared to help with the details of this useful tax planning tool for making charitable donations, and all 501(c)3 charities should be willing to accept a QCD donation.

For first-time use of a QCD, charity-minded taxpayers should work with their financial planners or ask for help from a retirement specialist at their financial vendor, who can cut a QCD donation check payable to their chosen charity. RSF is more than willing to accept QCD checks (and is grateful for any donation). QCD checks can be mailed to the Rossmoor Scholarship Foundation (taxpayer ID number 94-6126368), with the coupon below.

If Rossmoor News readers follow the example of Bill and Ray Reiss, the scores of students who receive RSF scholarships will be grateful for these donations and RSF will continue to report on their inspiring stories.

Submitted by: Bill Welch, Trustee, RSF Trustee