

Help The JCC And Save On Taxes

People often ask “how can I help the JCC and save money on my taxes”? Here’s a simple way adapted from the websites of Fidelity and Vanguard Investments.

If you're 72 or older, IRS rules require you to take a required minimum distribution (RMD) each year from your tax-deferred retirement accounts.

A Qualified Charitable Donation or QCD is a transfer of assets from your IRA payable directly to a qualified charity or 501c(3) organization, such as the **JCC of SLO County**. Amounts distributed as a QCD and are **NOT** included in your taxable income. Normally, funds from an IRA withdrawal are considered taxable income at your top marginal tax rate.

TIP: With the 2020 tax law changes, the standard deduction increased to \$12,400 for single filers and \$24,800 if married filing jointly. Now, itemizing deductions, such as a charitable donation, is more unlikely. However, the QCD can remain an option for your charitable giving **even if** you claim the standard deduction.

This process is simple. Go to the website of your investment firm(s) and complete a form...or talk to your financial advisor or contact customer service. Since a check will be sent to a charity from a tax-deferred account, you either need to have a cash balance or to sell part or all of a particular investment to create the cash.

Here are examples of how using a QCD worth \$10,000 puts extra cash in your wallet:

- Married Filing Jointly:
 - Taxable Income: \$75,000. Tax Saved: \$1,800 (Fed Marginal Tax Bracket: 12%. CA: 6.00%)
 - Taxable Income: \$150,000. Tax Saved: \$3,130 (Fed Marginal Tax Bracket: 22%. CA: 9.30%)
 - Taxable Income: \$250,000. Tax Saved: \$3,330 (Fed Marginal Tax Bracket: 24%. CA: 9.30%)
- Single Filers:
 - Taxable Income: \$50,000. Tax Saved: \$1,800 (Fed Marginal Tax Bracket: 12%. CA: 6.00%)
 - Taxable Income: \$75,000. Tax Saved: \$3,130 (Fed Marginal Tax Bracket: 22%. CA: 9.30%)
 - Taxable Income: \$150,000. Tax Saved: \$3,330 (Fed Marginal Tax Bracket: 24%. CA: 9.30%)
 - Taxable Income: \$250,000. Tax Saved: \$4,430 (Fed marginal Tax Bracket: 35%. CA: 9.30%)

A QCD must adhere to the following requirements:

- You need to be at least 70 1/2 at the time you request a QCD. If you process a distribution prior to reaching 72, the distribution will be treated as taxable income.
- For a QCD to count toward your current year's RMD, the funds must come out of your IRA by your RMD deadline which is usually December 31st.
- Funds must be transferred directly from your IRA custodian to the qualified charity. This is done by requesting the custodian to issue a check from your IRA payable to the charity. You can then request the check be sent to the charity or mail the check to the charity yourself.
- NOTE: If a distribution check is made payable to you, it will **NOT** qualify as a QCD and will be treated as taxable income.
- The maximum annual distribution for a QCD is \$100,000. This limit applies to the sum of QCDs made to one or more charities in a calendar year.

- If you're a joint tax filer, both you and your spouse can make a \$100,000 QCD from your own IRAs.
- Account types eligible for QCDs include:
 - Traditional IRAs
 - Inherited IRAs
 - SEP IRA (inactive plans only)
 - SIMPLE IRA (inactive plans only)

Regarding tax filing, a QCD is reported by your IRA custodian in most cases as a normal distribution on IRA Form 1099-R. Please keep an acknowledgement of the donation from the charity for your records. The JCC greatly appreciates any assistance you can offer.