



## New Tax Laws and Charitable Donations

Donating to a church or to a charity that supports one of your favorite causes can be a very uplifting and enjoyable experience, especially if you volunteer alongside the organization. You don't always have to give your time, though, and the organization likely isn't going to say "no" to a monetary donation—regardless of how big or small. However, writing a check or giving cash isn't always the most advantageous to you and your tax situation.

With the Tax Cuts and Jobs Act of 2017, the standard deduction was nearly doubled, reducing the likelihood that total itemized deductions will be larger than the standard deduction. Some people argue that this will discourage charitable giving in the future. So, if you were going to donate anyway, why would you pay more in taxes than you need to? Fortunately, there is one way you can still do your philanthropic giving and enjoy positive tax benefits!

### Qualified Charitable Distributions (QCDs)

A QCD is a distribution from a traditional IRA (by someone who is 70 ½ or older) that is paid directly to a qualified charity rather than to the owner of the IRA. Normally, distributions from an IRA would be considered taxable income, but rules under the new tax laws allow QCDs as long as the funds go directly to the charity and not through you first.

QCDs can satisfy any Required Minimum Distributions (RMDs) that you are required to take for the year. For example, let's assume your RMD for 2018 is \$15,000 and you normally give \$5,000 per year to charity. Rather than paying taxes on the whole \$15,000, a QCD allows the \$5,000 to not be included in your taxable income. In this situation the charity still receives your donation, you still satisfy your required minimum distributions, and you save potentially hundreds of dollars in taxes. Be aware though—if the QCD is larger than your RMD, you *cannot* carry the balance forward to following years.

Qualified Charitable Distributions are a great way to be philanthropic while simultaneously lowering your tax bill. Making a note of any QCDs on your income tax return is necessary, and you should consult your tax professional if you have any questions or concerns.