

Federal Tax Benefit of using IRA RMDs for charitable use (Qualified Charitable Distributions--QCDs--from IRA)

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For use by those with regular or inherited IRAs and over age 70.5.

For illustration purposes only. This is not tax advice. Please see your CPA or tax advisor for tax advice.

SAMPLE CLIENT INFORMATION - MFJ (Both Over 65)

IRA Required Minimum Distribution (RMD amount)	\$	50,000	
Federal marginal tax rate		24.0%	
Adjusted Gross Income (bottom of 1040 1st page)	\$	200,000	
Expected Cash gifts this year to charities	\$	15,000	
Schedule A Deductions, total before limitations			
Medical	\$	2,000	
Property plus state taxes	\$	15,000	
Home mortgage interest	\$	5,000	
Investment interest expense		-	
Misc Item. Deductions		0	no longer deductible
Standard deduction with 2018 tax rules	\$	26,600	

Comparison of using traditional bank account versus IRA account to make cash charitable contributions

	<u>Checks from traditional accounts to charities</u>	<u>Using IRA checkbook to pay charities</u>
Taxable RMD from IRA	\$ 50,000	\$ 35,000
Other Income	\$ 150,000	\$ 150,000
Adjusted Gross Income (AGI)	\$ 200,000	\$ 185,000
Itemized Deductions		
Total Sch. A Itemized deductions	30,000 *	15,000
Standard deduction (from top section)	26,600	26,600
Larger of Sch. A or Standard Deduc	30,000	26,600
Which is used on tax return	Itemized Deductions	Standard Deduction
Taxable Income	<u>170,000</u>	<u>158,400</u>
Reduction in Taxable Income via RMDs used to pay charities		11,600
Total Tax Savings by using IRA to write checks to charities		\$ 2,784

*\$15k of charitable contributions and \$10k of Sch. A (\$10k cap on prop/state; not enough medical to exceed 2% of AGI).