

QUALIFIED CHARITABLE DISTRIBUTION

USING RMD (REQUIRED MINIMUM DISTRIBUTION)

One excellent way for those over the age of 70 ½ to fund an endowed chair is to use their required minimum distribution (RMD) from an IRA to make a qualified charitable distribution (QCD) to the Salina Symphony. The IRS requires individuals over this age to take a distribution each year, regardless of need, and pay tax on this distribution, often resulting in a variety of negative impacts. Funds sent directly to the Symphony via a QCD count as part of the RMD, yet are not subject to income tax.

Some of the unique benefits of this process are as follows:

1. The QCD portion of the RMD is not subject to income tax.
2. Excluding the IRA distribution from income lowers the taxpayer's AGI, and can potentially avoid moving to a higher tax bracket. This can help high-income taxpayers avoid the phase-out of itemized deductions.
3. Some taxpayers don't normally receive a tax benefit for charitable donations; either because they claim the standard deduction rather than itemizing or their donations exceed the cap on charitable deductions. These taxpayers can use QCD to exclude an IRA withdrawal from income, producing the same benefit as deducting the donation.
4. For some taxpayers, not having to claim the income may avoid the Medicare high-income surcharge.
5. For some taxpayers, the reduced AGI may result in a lower amount of Social Security benefits that are taxed.

There are some limitations to using a QCD:

1. The IRA owner must be at least 70 ½ at the time of distribution.
2. A QCD can only be made from a traditional or Roth IRA. You cannot use a 401(k) or 403(b) account to make this distribution.

3. The maximum amount that can be used for a QCD is \$100,000 per person annually.
4. Transfers from an IRA must be made directly to the Symphony.

PROCEDURE FOR USING QCD FOR A GIFT TO THE SYMPHONY

1. Clarify with the Symphony the purpose of your gift and provide specific instructions.
2. Have your IRA administrator send a check directly to the Salina Symphony. Check with the administrator for their exact process, which typically involves completing a RMD distribution form.

An Illustration of a Qualified Charitable Distribution

Sally Musiclover has an IRA worth \$400,000 at the age of 70.5, and must therefore take a Required Minimum Distribution of \$15,094, which will be added to her taxable income. Sally decides, however, to fund an endowed chair at the Salina Symphony over a period of two years. She selects the chair that she wants to fund and notifies the Symphony that her gift will be coming from her IRA. She then completes a RMD distribution form from her IRA brokerage, and has them send a check directly to the Symphony. The result is that her taxable income does not increase, and there is no impact on the taxability of her Social Security benefits nor potential decrease of Medicare resulting from high income adjustments.

For more information on using a Qualified Charitable Distribution to make a gift, please contact the Symphony. The Salina Symphony does not render legal, tax, or other professional advisory services. Advice from an attorney or other professional advisors should be sought when considering charitable giving.