

Required Minimum Distributions and Qualified Charitable Distributions

Tax Breaks for Writers over 70

If you have an IRA or other retirement account, you're required to take a required minimum distribution (RMD) from it every year after you turn 70 or 72 (depending on the type of account), and that distribution is usually taxable. But you can avoid paying taxes on it by donating a portion or all of that RMD to just about any charitable 501(c)3 organization via what's known as a qualified charitable distribution (QCD). The main catch is that the donation must be sent directly from the trustee of the retirement account to the charity; you can't take out the money, put it in your bank account, and then make the gift.

The amount you give via QCDs counts against your RMD, but it doesn't count as taxable income. If you're in, say, the 24% bracket and are required to take \$8,000 as an RMD this year, you would save yourself nearly \$1,000 in taxes by giving half that RMD directly to charities. And you can make up to \$100,000 in QCD gifts each year, which, for the well-fixed, has the added benefit of reducing future RMD amounts.

Big financial institutions make this fairly simple. Some will provide checks you can write directly on an IRA account to the charities you prefer. Others will, via online or phone request, make out checks to the charities and send them directly or to you to forward. Either way, the donations effectively reduce the taxable income from your RMD. Although they will be reported as distributions from your retirement plan and included on your annual 1099 form as though you actually received them (which can come as a bit of a shock), tax preparers and tax software know how to report QCDs so that they're not treated as income. Be sure you keep track of what you give; you'll need receipts from the charities.

May we recommend our estimable Authors Guild Foundation as a good place to start? You can send the QCD check (or have it sent) to Lynn Boulger, Authors Guild Foundation, 31 E 32nd St, Suite 901, New York, NY 10016.