

Have you considered a Qualified Charitable Distribution to HAWs?

The *Protecting Americans from Tax Hikes Act of 2015* was signed into law in December, *permanently extending the IRA Qualified Charitable Distribution (“QCD”)*. This popular rule allows individuals age 70½ and older to make tax-free donations of up to \$100,000 directly from their IRAs to qualified charities, such as the Humane Animal Welfare Society of Waukesha County (HAWs).

The following will supply answers to some of the important questions about Qualified Charitable Distributions.

1. *Who qualifies?* Individuals who are at least age 70½ at the time of the distribution.
2. *How much can I transfer?* Up to \$100,000 for each year per individual. Spouses who file jointly can maximize their limits with gifts from each of their IRAs.
3. *From what accounts can I make transfers?* Transfers must be made directly from an IRA to a qualified charity. If you have retirement assets in a 401(k), 403(b), SEP IRAs, etc., you must first roll those assets into an IRA, and then make the transfer from the IRA directly to charity.
4. *Can I use the transfers to fund life-income gifts like charitable remainder trusts or charitable gift annuities?* No, these transfers are not eligible.
5. *Can I make a transfer to my donor advised fund or supporting organization?* No, these transfers are not eligible.
6. What are the tax implications?
 1. Federal – You do not recognize the transfer as income, provided it goes directly from the IRA provider to charity; you are not eligible for an income tax charitable deduction, but the distribution is not counted as ordinary taxable income.
 2. State – Each state has different laws, so check with your own tax advisor. Wisconsin does not allow an exclusion from income, so it would be taxable. However, the distribution to charity is allowed as a Charitable Deduction for calculation of the Itemized Deduction credit.
7. *Can the transfer qualify as my required minimum distribution?* Once individuals reach age 70½, they must take required minimum distributions from their retirement plans each year, pursuant to a federal formula. Qualified charitable distributions (QCDs) satisfy your required minimum distribution, up to a maximum of \$100,000.
8. *I’m over age 70½—should I consider an IRA charitable gift?* Yes, especially if:
 1. You do not itemize deductions but make charitable gifts, or
 2. You are subject to a limitation or phase-out on your itemized deductions, or
 3. You are subject to a required minimum distribution from your IRA that you just don’t need, or
 4. Your required minimum distribution from your IRA is causing your social security benefit to be taxed, or
 5. Your charitable gifts exceed the 50% limitation on the amount of your adjusted gross income that can be deducted for federal income tax purposes.

This information is provided for information purposes only.

HAWs does not provide tax or legal advice and you should consult with your tax or legal advisor about your individual situation.