

The Lipizzan Rescue Foundation Presents

Qualified Charitable Distributions: A Powerful Tool for Charitable Giving

Charitable giving is a powerful way to make a difference in the world and support the causes you care about, like The Lipizzan Rescue Foundation! But did you know that there's a tax-efficient way to give to charity that can also help you save on taxes? It's called a qualified charitable distribution (QCD), and it's an option that you may not be aware of.

What is a Qualified Charitable Distribution?

A Qualified Charitable Distribution is a distribution made directly from an individual retirement account (IRA) to a qualified charity. It allows individuals who are age 70 ½ or older to donate up to \$100,000 per year to a charity of their choice while also satisfying their required minimum distributions (RMDs) from their IRA.

How Does a Qualified Charitable Distribution Work?

If you are age 70 ½ or older and have an IRA, you are required to take annual distributions from your account. These distributions are subject to income tax, and if you don't take them, you may be subject to a penalty of 50%. However, if you make a QCD, the distribution goes directly to the charity, and you don't have to pay income tax on the amount donated. This means that a QCD can be a tax-efficient way to support your favorite charities.

Why Consider a Qualified Charitable Distribution?

There are several benefits to making a QCD:

1. Tax Savings: By making a QCD, you can reduce your taxable income, which can result in a lower tax bill.
2. Satisfy Required Minimum Distributions: QCDs can be used to satisfy your RMDs, which can be especially helpful if you don't need the money from your IRA to support your retirement.
3. Charitable Giving: QCDs allow you to support the charities you care about while also taking advantage of the tax benefits.
4. Potential Estate Tax Savings: If you leave your IRA to your heirs, they will be required to pay income tax on the distributions they receive. By making a QCD, you can reduce the size of your IRA, which may help your heirs avoid paying as much in taxes.



LRF adopted horse "Gabby"
in her forever home in
California.

We love seeing her find a
driving home to continue on
her training.

Thanks Debbie!

Photo Courtesy of the
Lipizzaan Rescue Foundation

Qualified Charitable Distributions cont

What Are the Rules for Making a Qualified Charitable Distribution?

To make a QCD, there are a few rules that you must follow:

1. Age Requirement: You must be age 70 ½ or older to make a QCD.
2. Donation Limit: The maximum amount you can donate through a QCD is \$100,000 per year.
3. Qualified Charities: The donation must be made to a qualified charity. Private foundations, donor-advised funds, and supporting organizations are not eligible. The Lipizzan Rescue Foundation is a qualified charity.
4. Direct Transfer: The donation must be made directly from your IRA to the charity. If you withdraw the money from your IRA and then donate it, it will not qualify as a QCD.
5. Reporting Requirements: You must report the QCD on your tax return and keep records of the donation.

Conclusion

Qualified Charitable Distributions are a powerful tool for charitable giving that can also provide tax benefits for donors. By making a QCD, individuals age 70 ½ or older can support the causes they care about while also satisfying their required minimum distributions from their IRA and potentially reducing their tax bill. If you're interested in making a QCD, be sure to consult with your financial advisor to ensure that it's the right choice for your financial situation.

Author: Jeannine Citoli, contributor to charitable planning book "Increase Your Worth; Make More, Give More, Live More"

Note: A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation. Donors should consult their tax advisors for more information. USLF and author do not provide specific individualized legal or tax advice. Please consult a qualified legal or tax advisor where such advice is necessary or appropriate.



LRF Donors receive handwritten thank you cards from volunteers.

Photo Courtesy of the Lipizzan Rescue Foundation

