THE QUALIFIED CHARITABLE DISTRIBUTION: Donors Are Happy It’s Here to Stay

The qualified charitable distribution (QCD) from your IRA is permanent, easy to use, and ideal for giving that helps reduce your tax burden.

“It’s as easy as falling off a log,” says Carnegie Mellon Trustee Emeritus Tom McConomy, E 1955. Made permanent by congressional and presidential action in 2015, the QCD allows McConomy to contribute his annual gifts to his alma mater simply and conveniently.

“It lets the bank do all the work,” he stresses, “and it’s a reminder at the end of the year that you ought to get moving.” Because he can confidently count on using it this year and into the future, he can more easily set long-term philanthropic plans.

Here’s how the qualified charitable distribution works: When you reach age 70½, you are required to withdraw a minimum distribution from your IRA each year.

To avoid the additional tax penalty created by higher income, the QCD allows you to transfer your required minimum distribution (up to $100,000) directly and tax-free to a qualifying charity, such as Carnegie Mellon University.

Donors Jon Saxe, E 1957 and Myrna Marshall have used the QCD for a number of years, taking advantage of its straightforwardness as they support undergraduate research opportunities at Carnegie Mellon.

“It’s very easy, the bank takes care of it,” they say. “You can achieve your charitable goals with a big tax advantage.”

If you are interested in using the qualified charitable distribution, contact the Office of Gift Planning to learn more. Please call Joseph Bull, J.D., executive director of gift planning, at 412-268-1948 or email him at askjoebull@andrew.cmu.edu.

To learn more, please visit our website: www.giftplanning.cmu.edu
TAX-SMART GIVING FROM YOUR IRA

Still need to take your required minimum distribution (RMD) from your IRA? Using these funds to make a charitable gift may be a tax-smart choice. Starting at age 70 ½, you can direct a qualified distribution to a public charity like Carnegie Mellon University to satisfy your RMD and this transfer will not increase your taxable income.

Why is it tax-smart?

- By minimizing your total taxable income, you may pay less income tax than if you took a distribution and then applied the charitable deduction.
- Not an itemizer? No problem. Making a qualified charitable distribution eliminates the need for taking a charitable deduction, so you don’t have to itemize on your tax return to recognize a tax savings.

EXAMPLE

Suppose Jack has $500,000 in an IRA and would like to contribute $25,000 to charity this year. Jack can authorize the custodian of his IRA to make a qualified charitable distribution of $25,000 to fulfill his charitable intentions. He will satisfy some or all of his RMD and will not pay any income tax on the $25,000 charitable distribution. Jack cannot deduct this gift—but he has already received a potentially greater benefit by avoiding $25,000 in taxable income.

HERE’S WHAT YOU NEED TO KNOW:

- The distribution must be made directly from the IRA administrator to Carnegie Mellon University. It cannot be directed to a private foundation, supporting organization or donor advised fund.
- The total of all IRA distributions to charity cannot exceed $100,000 per person per year.
- The gift cannot be used to establish a gift annuity or fund a charitable remainder trust.
- You can still make a qualified charitable distribution if you’ve already taken your RMD.
- The end of the year is a very busy time for your IRA custodian, so don’t wait until the last minute to make sure that you can take advantage of this opportunity to be “tax-smart”!
HOW YOU GIVE CAN MAKE ALL THE DIFFERENCE

Maximize Your Gifts By Choosing the Right Beneficiary

When considering your legacy, thoughtful reflection of what is meaningful to you guides your decisions. Family, causes you care about and the places and people who have shaped your life are recognized and given significance as they have influenced you and your vision of the future.

But it is also very important to consider how your assets are best used to achieve your goals. Giving the wrong asset to a beneficiary can lead to undue tax burdens and your gift may not have the impact you intended. By looking at your assets and the taxable implications for your beneficiaries together, you can create the most effective ways to give to those who are most important to you.

EXAMPLE

Mary is approaching retirement and is revisiting her estate plan. She wants to fund scholarships at her alma mater, and benefit her daughter, Sara, by giving each one half of her estate. She has $100,000 in her savings account and $100,000 in her traditional IRA. If she names Sara as beneficiary of the IRA, Sara will actually receive significantly less than $100,000, as she will need to pay income tax (federal and possibly state taxes, ranging from 10% to 39.6% or more) on the distributions she takes from the IRA. But if Mary leaves the IRA to her alma mater, there will be no income tax due and all $100,000 will fund scholarships. Sara can receive the $100,000 from the savings account and it will not increase her taxable income.

Beneficiary designations to charities are an easy way to achieve the maximum benefit of your giving. To make this kind of gift, simply request a Beneficiary Designation Form from your plan administrator and designate “Carnegie Mellon University, or its successor, Federal Tax Identification Number: 25-0969449” as a beneficiary for your IRA account, using either a percentage or dollar amount for your gift. You can also designate how you would like CMU to use your gift on the form as well. It’s that simple.

As always, ask for professional advice to make sure your plan is tailored to meet your needs. We welcome your tax and investment advisors and attorneys to join us in creating a comprehensive plan that is right for you.