

Tax Laws and Giving to Your Church

Recent tax law changes provide people an opportunity to make tax-free charitable contributions to your church from your IRA. This may be of special interest to those who must take a Required Minimum Distribution (RMD) annually from a traditional IRA.* The tax law now allows someone age 70 ½ or over to make a gift directly from a traditional IRA to a qualified public charity, such as your church, in the form of a Qualified Charitable Distribution (QCD). Be aware, the gift must go directly from the IRA custodian to the church and not come to you first.

The gift still counts toward your annual RMD; however, it does not count as taxable income to you. This is a win-win situation. You win in three ways: 1) you essentially lower your taxable income, and thus your taxes; 2) if you have an RMD, the QCD amount counts toward satisfying it; 3) you get to support your church's mission and ministry. The church wins by receiving support for its life and work. The only loser in this case is the IRS and the Dept. of the Treasury as no taxes are collected on the QCD funds. For further information, please consult your financial advisor, IRA plan administrator, tax preparer, IRS Publication 590-B, or the IRS website www.irs.gov.

You can still take advantage of this tax law change even if your retirement benefits are not in a traditional IRA account; for example, in a 401(k) or 403(b) retirement account. All that is necessary is that you rollover your 401(k) or 403(b) account into a traditional IRA account first. Importantly, some retirement plans will allow you to do a partial rollover of your 401(k) or 403(b) funds, transferring part into a traditional IRA while leaving part in the 401(k) or 403(b). Once the funds are in a traditional IRA, you can request your IRA custodian to make your QCD gift to your church. Again, we recommend you consult your financial planner, 401(k) or 403(b) plan administrator, tax preparer, IRS Publication 590-B, or the IRS website www.irs.gov.

While the above focuses on giving to your church, the QCD option applies to all qualified charitable organizations. Hence, one could use this option to support the Southern New England Conference, the national setting of the UCC, one of the UCC's special offerings (OGHS, STC, NIN, Christmas Fund), and Disaster Relief, to name just some potential beneficiaries.

*The SECURE Act raised the starting RMD age to 72, effective Jan. 1, 2020. So, if you turned 70½ in 2020, you can still make a qualified charitable distribution, but it won't count toward your RMD since you don't have one until you are 72. As always, you should consult your financial advisor or tax preparer regarding your particular situation.

Rev. Dr. David Cleaver Bartholomew, EA
Director of Stewardship and Donor Relations
Southern New England Conference, United Church of Christ
Email: cleaver-bartholomewd@sneucc.org
Phone: 315-753-1375