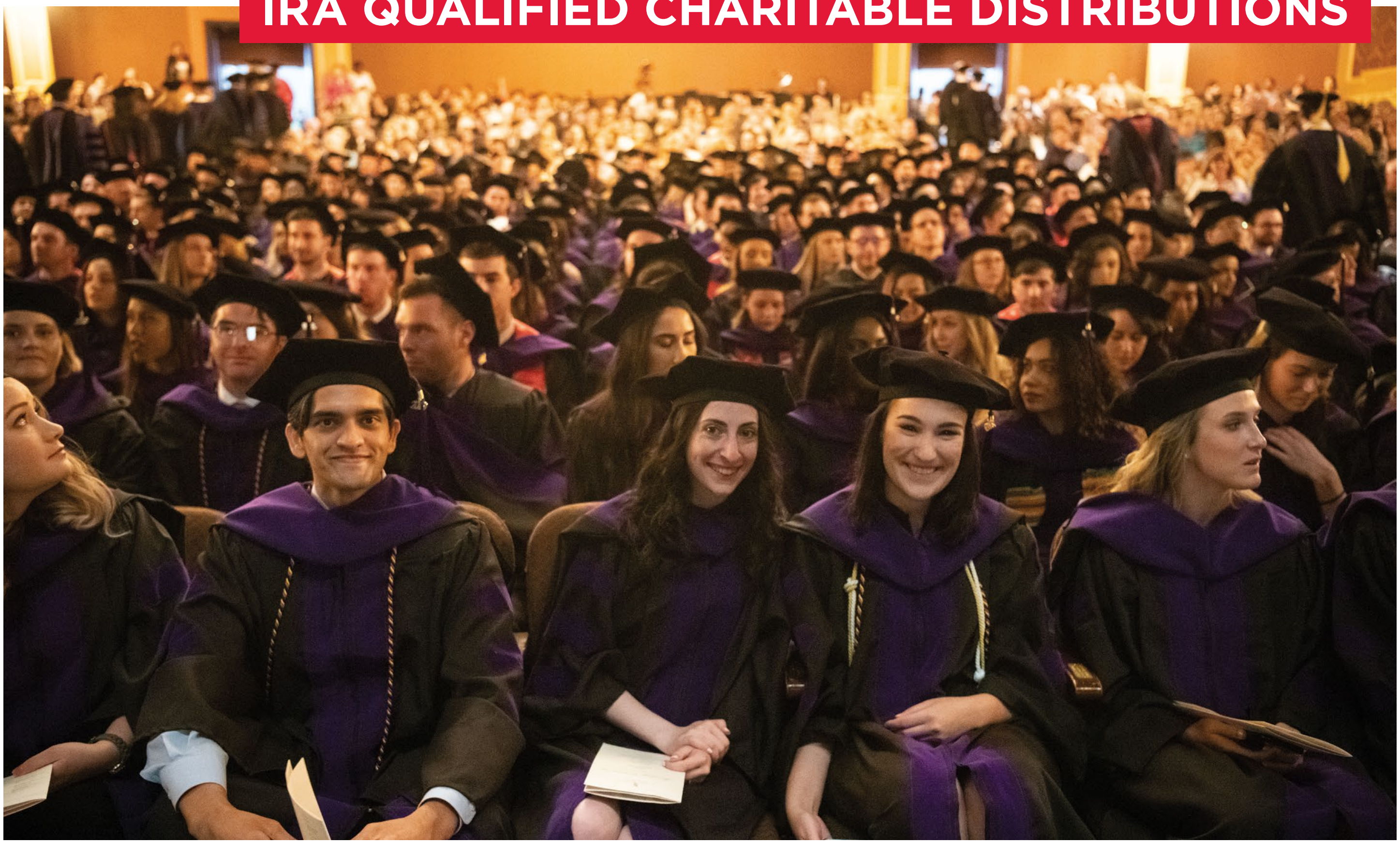
UNIVERSITY of MARYLAND
BALTIMORE

Office of **PLANNED GIVING**

IRA QUALIFIED CHARITABLE DISTRIBUTIONS



The Opportunity of IRA Giving

Individual retirement accounts (IRAs) represent many things, but primarily they represent a lifetime of earnings, investment, and savings that have not yet been taxed or spent. To spend IRA assets, the account holder must first pay income tax on the distribution, so each withdrawal nets a smaller amount than the value of investments sold and withdrawn. These facts apply whether the IRA is earned or inherited, whether distributions are made during life or at death. *Account holders who are 72 and older are required to take taxable distribtions from their IRA every year, whether or not the income is needed or desired.*

IRA owners age 70½ and older who are charitably inclined, however, have a powerful new option thanks to recent tax law changes: They can realize 100 percent of the value of hard-earned savings by making non-taxable **qualified charitable distributions**, and fulfill their withdrawal requirements at the same time. Fortunately both for IRA donors and charitable organizations, many account holders find their income needs are met without having to rely on income from the IRA, allowing them to consider all or part of the annual distribution as a tax-efficient way to fulfill charitable giving goals. It can be a win-win for both you and the University of Maryland, Baltimore.

Why do people typically save for retirement? To ensure lifetime needs are met after the income-earning phase of life, and to provide comfort and security against unexpected illnesses, long-term care, or other potential high-expense needs. Beyond these basics, retirement savings allow the owner to spend money on family, travel, hobbies, or whatever else they want to enjoy. For some, giving charitably is a priority among those things that bring enjoyment, personal mission fulfillment, and satisfaction to the owner.

Using the Standard Deduction and Keeping the Tax Benefits of Giving

Making gifts directly out of required minimum distribution (RMD) income might be particularly appealing if the donor plans on using the new, higher standard deduction because it exceeds their itemized deductions (mortgage interest, donations, medical expenses, state and local income taxes, etc.). A taxpayer normally must itemize deductions to retain tax benefits of giving, so the true cost of giving goes up for non-itemizers. *By giving through qualified charitable distributions, the donor restores this tax benefit to their giving, regardless of whether they itemize deductions.*

Besides non-itemizers, who else might benefit from giving directly from the IRA?

- Those who are subject to deduction limitations or using carryover deductions from prior years.
- Those whose RMD, when added to other taxable income, would put them into the next tax bracket (or subject them to a 3.8 percent Medicare surtax on investment income).

FAQs

What are the rules? After a traditional IRA account holder turns 70½, they can give up to $100,000 directly from their IRA to one or multiple charities, using a *qualified charitable distribution* form issued by the IRA administrator. These gifts provide:

- The charitable distributions are non-taxable to the owner.
- They satisfy all or part of the RMD if the owner is age 72 or older.
- Qualified charitable distributions are not deductible.
- Qualified charitable distributions may not be made to donor advised funds nor to anything that returns a benefit of any measurable value, such as event tickets, memberships, many planned gifts, etc.

Can the donor give multiple charities $100,000 each? No, each IRA account holder can give up to $100,000 to one or more charities, although a couple could combine their gifts to provide a total of $200,000 in gifts in one year.

How is the gift reported? Qualified charitable distributions are reported as non-taxable income on Form 1099-R.

How do I act?
Contact your IRA administrator and provide the following information:

University of Maryland Baltimore Foundation
220 Arch St., 13th Floor
Baltimore, MD 21201
Tax ID #: 31-1678679

This publication is not intended to provide legal, tax, investment, or other professional advice, and should not be relied upon for such advice. In advance of any charitable gift plan, we encourage you to seek the advice of legal, tax, and investment professionals.

THE UMB OFFICE OF PLANNED GIVING HELPS DONORS MAXIMIZE THEIR GIVING TO THE UNIVERSITY OF MARYLAND SCHOOLS OF MEDICINE, LAW, DENTISTRY, PHARMACY, NURSING, GRADUATE SCHOOL, AND SOCIAL WORK, THROUGH TAX-EFFICIENT STRATEGIES AND OTHER OPTIONS BENEFICIAL TO THE DONOR. PLEASE VISIT *www.umaryland.edu/plannedgiving* OR CONTACT THE OFFICE OF PLANNED GIVING AT 877-706-4406 OR *plannedgiving@umaryland.edu*.

Produced by the UMB Office of Communications and Public Affairs, 2020