

IRA REQUIRED DISTRIBUTION GIVING

The purpose of this section is to provide up-to-date information regarding contributions to the church (or to another non-profit organization) directly from a qualified individual retirement plan in order to avoid increases in taxable income while fulfilling your charitable contribution needs. Before taking a specific action, you should discuss your planned actions with your tax advisor or financial institution.

CHARITABLE GIVING USING REQUIRED MINIMUM DISTRIBUTIONS (RMDS)

If you reached age 70½ not later than 2019, you are *normally* required to take a Required Minimum Distribution (RMD) from your qualified retirement plan(s) each year.

Under federal tax law, funds cannot be kept indefinitely in retirement accounts. You generally have to start taking withdrawals from your IRA, SIMPLE IRA, SEP IRA, or retirement plan account when you reach age 70½. However, a change made by the SECURE Act, effective December 20, 2019 provided that if your 70th birthday is July 1, 2019 or later, you do not have to take withdrawals until you reach age 72. Roth IRAs do not require withdrawals until after the death of the owner.

Your **Required Minimum Distribution** (RMD) is the minimum amount you must withdraw from your account each year. You are required to declare the RMD amount as income and pay taxes on the distributed amount.

- You can withdraw more than the minimum required amount.
- Your withdrawals will be included in your taxable income except for any part that was taxed before (your basis) or that can be received tax-free (such as qualified distributions from designated Roth accounts).

HOWEVER, if your RMD is from an IRA you can avoid taxable income by requesting a charitable contribution to be transferred directly from your IRA financial institution to a non-profit charitable recipient. This direct transfer is known as a Qualified Charitable Distribution (QCD). QCD amounts cannot be included in deductions for itemized charitable contributions on your tax return as they are not included in taxable income.

Further, federal tax law that became effective January 2018 made the QCD process even more significant for RMD-eligible taxpayers. The tax law essentially doubled the standard deduction level. As a result, many taxpayers who have previously itemized their charitable contributions may be more limited in their deductions than in the past. Directing your IRA custodian to make a QCD direct funds transfer to the church or charity can help satisfy your annual RMD requirement while avoiding extra taxable income.

These tax law changes did not affect the ability to use the QCD feature as of age 70½ even if you are not required to take an RMD from your IRA until you are 72. This funding source for charitable giving may still be useful and appropriate for anyone over 70½. Therefore, regardless of your age group and/or your decision as to best time to initiate a Required Minimum Distribution from your IRA(s), you can minimize your tax impact by making a direct transfer from your retirement financial institution to a non-profit charitable recipient (such as the church or the church foundation). Otherwise, any distribution from your IRA (required or otherwise) would be considered taxable income.

Please be aware that the Qualified Charitable Distribution is available only from an IRA and cannot be made directly from ongoing employer-sponsored plans such as a 401(k), SEP IRA, or other similar plans where employer contributions may still be ongoing.

Directing your IRA custodian to make a QCD direct funds transfer to the church or to a charity can help satisfy your annual RMD requirement while avoiding extra taxable income. If the check is sent to you rather than directly to the church or if the check is made payable to you, it will not qualify as a QCD and will be treated as taxable income. The use of QCD may be a beneficial way to tithe or donate to either FUMC or to the FUMC Foundation.

Simply have your IRA custodian send QCD checks directly to either of the following addresses:

Fredericksburg United Methodist Church
Attention: Financial Secretary
1800 N. Llano Street
Fredericksburg, Texas 78624

The church's Employer Identification Number (EIN) is 74-1750419.

Fredericksburg United Methodist Church Foundation
Attn: Treasurer
1800 N. Llano Street
Fredericksburg, Texas 78624

The Foundation's Employer Identification Number (EIN) is 74-2439281

You are encouraged to consult your tax advisor and your financial institution to ensure that this strategy will work for you and that you meet all the criteria. If you have any questions related to the pledge process or other financial donations, you can contact the church's Financial Secretary at 830-997-7697.