Senior Gifting With an Income Tax Benefit at the Age of 70 ½

Most seniors utilize the standard tax deduction when filing their income tax return which is as follows:

 Single - $13,850 plus $1,850 for those 65 and older

Married filing jointly or qualified widow/er - $27,700 plus $1,500 per qualifying individual

The standard deduction is in place of itemizing and therefore no additional deductions, including charitable gifting, are allowed.

For those over 70 ½ years old you may recapture that deduction by utilizing a traditional IRA for making those charitable contributions.

For those that are at least 73 years of age you may use part or all of your Required Minimum Distribution (RMD) to make your Qualified Charitable Donations (QCD) up to a maximum of $100,000 annually.

**Here is how it works:**

The distribution proceeds to the eligible charitable organization must come directly from your provider/custodian; therefore, you must instruct that group to send a specified amount to the name of the organization as well as their address. There is typically a form that must be completed and signed. You may contact your custodian for their procedure. It is the sole responsibility of the account owner to determine whether the donee qualifies as an eligible charitable organization

Since the procedure is not as convenient as writing a check, I would recommend less frequent donations. You may consider making an annual donation at the end of the year for all the anticipated donations that you like to make for the following year, then contact that organization to give the details of that donation.

You will receive a 1099-R for the full amount that was distributed from your IRA, it does not specify whether it was a withdrawal or a tax-free transfer to a charity. When you file your Form 1040 with the IRS, you will report the total distribution on line 4a, then on line 4b you will report the net amount (total distribution less all Charitable Distributions) and enter “**QCD**” to indicate the difference was a Qualified Charitable Distribution. See example below:

Total Distribution $25,000 (enter on line 4a); $5,000 total donations, enter next to 4b QCD then $20,000 as taxable amount.