

## How to Donate to BTA From Your IRA

After years of contributing to tax-deferred 401(k)s and IRAs, income tax is due on that money when you take withdrawals in retirement. Annual withdrawals from traditional retirement accounts are required after age 70-1/2, and the penalty for skipping a required minimum distribution (RMD) is 50% of the amount that should have been withdrawn. However, if you are in the fortunate position of not needing your distribution for living expenses and are charitably inclined, you can avoid income tax on your required withdrawal by donating your money directly to a qualifying charity such as Boyce Thompson Arboretum.

### What is a Qualified Charitable Distribution?

A qualified charitable distribution (QCD) is an IRA withdrawal that is paid directly from your IRA to a qualifying charity. While income tax is normally due on traditional IRA distributions, the account owner does not need to pay taxes on amounts transferred directly to charity.

### How to Set Up an IRA Qualified Charitable Distribution:

- Meet the QCD requirements.
- Satisfy required minimum distributions.
- Calculate your QCD tax break.
- Set up a direct transfer to a charity

#### 1. Meet the QCD Requirements

IRA owners must be age 70-1/2 or older to make a tax-free charitable contribution. Those who meet the age requirement can transfer up to \$100,000 per year directly from an IRA to a qualifying charitable organization without paying income tax on the transaction. If you file taxes jointly, your spouse can also make a QCD of up to \$100,000, meaning couples can exclude up to \$200,000 of their retirement savings from income tax if they donate it directly to charity. Qualified charitable contributions must be made by December 31 each year in order to exclude that amount from taxable income.

Charitable contributions can only be made from IRAs, not 401(k)s or similar types of retirement accounts. So, you might need to rollover funds from a 401(k) to an IRA if you want to make tax-free charitable contributions part of your retirement plan.

You don't need to itemize your taxes in order to make an IRA charitable distribution. However, you cannot additionally claim a charitable contribution tax deduction on a charitable distribution from your IRA. In other words: you are not getting taxed on this money, so you don't get to count it as a charitable deduction. Boyce Thompson Arboretum will always send an acknowledgment of the donation for tax purposes.

## **2. Satisfy Required Minimum Distributions**

An IRA charitable contribution satisfies the annual minimum distribution requirement for your IRA. You can donate part of your required distribution to charity and withdraw the rest of it as retirement income as long as you meet the minimum distribution requirement by the end of the calendar year. Many people already do give, so giving from your IRA with funds you have to take out anyway mitigates that minimum distribution requirement.

## **3. Calculate Your QCD Tax Break**

A \$100,000 charitable contribution from your IRA could save you tens of thousands of dollars in taxes, depending on your tax rate. But you don't have to make a huge donation to benefit from this tax break. For a retiree in the 24% tax bracket, an IRA charitable contribution of \$5,000 could reduce your income tax bill by \$1,200. Even a \$1,000 donation would save you \$240 in taxes. The benefits of making a charitable contribution from your IRA are even bigger for those in higher tax brackets. Consult your tax advisor about the exact figures as they relate to your income level and tax bracket.

Essentially what happens is you are not receiving this distribution, therefore you are not getting taxed on the distribution; it goes straight to the charity. Most people actually need the money that's coming out of their retirement account, but if you are lucky enough that you don't need all of it, one of the wonderful things you can do is satisfy your required minimum distribution by directing the funds to a qualifying charity such as the Arboretum.

## **4. Set Up a Direct Transfer to a Charity**

Funds must be transferred directly from the IRA to an eligible charity by the IRA trustee in order to qualify for the tax break. If you withdraw the money from your IRA and later donate it, it won't qualify as a tax-free QCD. You have to make the distribution check payable to the charity directly. If it is somehow sent to you by mistake, that is not considered a qualified charitable distribution. Simply contact your IRA trustee with the amount you wish to donate and the name and address of the charity.

Boyce Thompson Southwest Arboretum, dba Boyce Thompson Arboretum (BTA), is a 501(3)(c) nonprofit organization organized under the laws of the State of Arizona, IRS number 88-0061520. We rely on memberships and donations, which are tax-deductible to the extent allowed by law, to support our mission: to inspire appreciation and stewardship of desert plants, wildlife, and ecosystems through education, research and conservation.

QCDs may be mailed to 37615 E. Arboretum Way, Superior, AZ 85173-2509. For more information, please contact our Development Department at (520) 689-4588 or [support@btarboretum.org](mailto:support@btarboretum.org).