

## **Reduce your taxable income by giving to Sky Foundation**

### **By Jean M. Stenger, CPA**

You can reduce your taxable income by donating your IRA distribution directly to Sky Foundation. This is deemed to be a "qualified charitable distribution" and therefore it is not included in your taxable income nor do you receive a charitable donation deduction for the amount given directly to Sky Foundation. Below are some frequently asked questions and related answers to help you understand how this works.

#### **Can a qualified charitable distribution satisfy my required minimum distribution from an IRA?**

Yes, your qualified charitable distributions can satisfy all or part the amount of your required minimum distribution from your IRA. For example, if your 2018 [required minimum distribution](#) was \$10,000, and you made a \$5,000 qualified charitable distribution for 2018, you would have had to withdraw another \$5,000 to satisfy your 2018 required minimum distribution.

#### **How are qualified charitable distributions reported on Form 1099-R?**

Charitable distributions are reported on Form 1099-R for the calendar year the distribution is made with a notation that it is a charitable distribution.

#### **How do I report a qualified charitable distribution on my income tax return?**

To report a qualified charitable distribution on your Form 1040 tax return, you generally report the full amount of the charitable distribution on the line for IRA distributions. On the line for the taxable amount, enter zero if the full amount was a qualified charitable distribution. Enter "QCD" next to this line. See the Form 1040 instructions for additional information.

For IRAs or ROTH IRAs where you have basis, there are additional reporting requirements.

You do **not** report a charitable donation on your Schedule A Itemized Deductions for the qualified charitable distribution.

#### **Can I receive the money first and then turn around and donate it to Sky Foundation and receive the same benefit?**

No. In order to be a qualified charitable distribution, your trustee of your IRA will need to transfer the money directly to Sky Foundation.

#### **What is the benefit of a qualified charitable distribution?**

In 2018, taxpayers have a higher standard deduction which means that a taxpayer may no longer be itemizing deductions and therefore may not recognize the tax benefit of charitable donations. It is always beneficial to have options for reducing taxable income.

In Michigan, the starting point for State taxes, is the taxpayer's Federal Adjusted Gross Income which means that by doing a qualified charitable distribution, you may also save on your State income taxes.

***The information contained in this newsletter article is for general informational purposes. Consult your tax advisor for tax advice specific to your tax situation.***

*Jean M. Stenger, CPA is currently a Senior Manager at the CPA firm of Derderian, Kann, Seyferth & Salucci, P.C.*