

Morning Star Lutheran Church

Presentation on Charitable Giving and The Tax Cuts & Jobs Act of 2017

How to be Charity-Generous & Tax-Thrifty

October 20<sup>th</sup> & 21<sup>st</sup>, 2018

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**1) Qualified Charitable Distributions - or QCDs:**

Taxpayers who are 70-1/2 or older (or beneficiaries of inherited IRAs)

Can use up to \$100,000 per year of your Required Minimum Distributions (RMD) from your Individual Retirement Account (IRA)

Distribution must be not result in any benefit to donor/taxpayer

Distribution must be made directly by the IRA trustee to a qualified charity (excluding donor-advised funds), IRA with check writing is o.k.

Dollar amount transferred is not subject to Form 1040, page 1 income taxability

Must still get a qualifying receipt from the charity

Benefits of Lower Adjusted Gross Income (AGI) which could lead to:

- a.) Reducing taxability of social security benefits
- b.) Larger deductions of medical expenses (if itemizing)
- c.) Lower Medicare premiums
- d.) Lower net investment tax (NIIT)
- e.) Reduction of taxability of long-term capital gains/qualifying dividends
- f.) Use of charitable giving for tax purpose if using new standard deduction (\$26,600 - married filing jointly / \$13,600 single)

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**2) Donor Advised Fund:**

Donor-advised funds are charitable accounts set up in your name but held by a large nonprofit organization or qualified charity - such as The Omaha Community Foundation. There are also some brokers that offer these funds. You can donate cash, appreciated stocks or real estate and take an immediate deduction in the same year. This would allow you to front-load your donations to insure tax deductibility. You would then make donations as you normally would annually from your foundation checkbook.

**3) Donate Appreciated Stock:**

You can avoid long-term capital gains tax of up to 20% by donating appreciated stock from your non-qualified accounts to charity. You get the full market value of the stock as a tax deduction & the charity can sell the stock to use in their charitable programs tax-free. Wealthy taxpayers will also save by not having to pay the 3.8% NIIT.

Morning Star Lutheran Church can accommodate Qualified Charitable Donations as well as donations made in the form of stock. Please have your broker contact me and I can get him/her instructions on how to get the stock transferred into the church's brokerage account.

The church can also accommodate members who want to donate for two or more years in one tax year if bunching of the Morning Star Church donations increases their ability to itemize deductions.

It will be my pleasure to discuss any of these Charity-Generous & Tax Thrifty measures with any member who is interested.

Lori K. Mueller, CPA

Treasurer, Morning Star Lutheran Church

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