

Pre-Tax Charitable Distributions from an IRA

If you are 70 1/2 or older and have an IRA or SRA (Supplemental Retirement Account) from which you are required to take an annual minimum distribution (RMD), you can probably use all or a portion of that distribution as a pre-tax contribution to a charitable organization such as Winneshiek Energy District.

The guidelines state:

1. The individual making pre-tax charitable contributions must be age 70 1/2 or older.
2. Money to be used as a pre-tax charitable contribution must be in a traditional IRA (not Roth) by December 31 of the preceding year. Thus to take pre-tax charitable contributions for 2019, you must roll over contributions you've made to an SRA into an IRA by December 31, 2018.
3. Distributions from your IRA must be sent directly to the charitable organization. You cannot receive the money and then donate it to the charitable organization. This money must be distributed by December 31 of the year for which you wish to claim a pre-tax contribution.
4. You can designate whatever portion of your required minimum distribution you wish to charitable organizations, up to \$100,000 (\$200,000 if married filing jointly). If you do not designate your entire RMD to charitable causes, you will receive the remainder of the distribution as taxable income.
5. You cannot claim money given to a charitable organization on a pre-tax basis as an itemized deduction. However, you do not need to itemize your taxes to take pre-tax distributions.
6. You will receive a 1099R from the company issuing your RMD with the entire distribution shown. However, you will not need to list the portion distributed directly to charitable organizations as taxable income.

The benefits:

1. The amount of income you are taxed upon will not include the portion of your required minimum distribution directly given to charitable organizations.
2. The percent of your social security income subject to income tax will also decrease as your total taxable income decreases.
3. You will have directly benefited charitable organizations you wish to support.