

As 2021 comes to close, here are some considerations on how your donation to the Clark Lake Spirit Foundation, a qualified 501(c)(3), can help on taxes. Although the Foundation does not give tax advice, some well known IRS facts can aid decisions.

If you don't itemize deductions, the IRS allows "a deduction of up to \$300 (single) or \$600 (married) for cash contributions made during 2021."

If you do itemize, the allowed amount can be much higher.

But the best news is for those faced with taking a Required Minimum Distribution (RMD) from an IRA, inherited IRA or inactive SEP/Simple IRA this year.

Here's the downside to your situation. The distributable portion of your IRA is taxed as ordinary income. Your tax bracket determines the degree of pain. If you don't need all or part of your RMD, consider reducing the tax consequence through use of a qualified charitable deduction (QCD). This is one method to avoid painful taxes and help Save the CC.

Need more detail?

Taxpayers who own tax deferred retirement savings accounts (Traditional IRAs, inactive SEP and Simple IRAs) must begin taking taxable withdrawals (RMDs or Required Minimum Distributions) annually based on their birth year.

- Taxpayers born before 1950 must start annual withdrawals in the year they become age 70-1/2.
- Taxpayers born in 1950 and later must start annual withdrawals in the year they become age 72.

Since tax-deferred accounts permit the taxpayer to defer income taxes on their contributions and earnings during working years, distributions from these accounts are taxable and reported to the taxpayer on Form 1099-R and taxed on Form 1040.

There is a special rule permitting income tax exclusion for distributions to qualified charities, providing certain conditions are met:

- The taxpayer must be age 70-1/2 or older.
- The QCD distribution must be made from the taxpayer's Traditional IRA, Inherited IRA, or inactive SEP or Simple IRA.
- The QCD distribution must be payable to a qualified IRC § 501(c)(3) charitable organization.
- The QCD funds must flow from the taxpayer's IRA directly to the charity.
- The QCD distribution will satisfy the RMD requirements.
- Mandatory distributions from Inherited IRAs are eligible for QCD treatment.
- Total QCD distributions are capped at \$100,000 per taxpayer per year.

A QCD reduces both Adjusted Gross Income and Taxable Income. An itemized charitable deduction only reduces taxable income

***The Clark Lake Spirit Foundation does not offer or provide tax advice. Please consult your tax advisor.***