



# Austin Catholic High School

## How to get more from your gifts to charity.

In December 2015, Congress passed legislation to help assist the the process of giving to charities.

Over 10,000 baby boomers are becoming age 70 ½ every day, at which time required minimum distributions (RMDs) from their Individual Retirement Accounts must begin. These mandatory withdrawals are taxable in the current year, even though they may not be needed for the taxpayers' current support. This may cost up to 35% of the withdrawn amount for many retirees.

Diverting all or part of RMDs directly to a charity of your choice (Qualified Charitable Distributions or QCDs) is a very efficient method of avoiding the tax burden. These QCDs are the best method of donating to charity, for the following reasons:

Reducing your gross income by excluding the charitable gift “off the top” increases these income tax benefits;

- Less restriction on Medical and miscellaneous deductions
- Less alternative minimum tax (AMT)
- Less State Tax (Michigan rate is (4.25%))
- Joint filers over 65 may use \$15,600.00 as a standard deduction plus all charities from IRAs

Estate planning benefits of making charities the beneficiaries of IRA at death;

- If your Estate is subject to Federal or State inheritance tax, this strategy will reduce the tax burden to beneficiaries of IRAs
- If Federal Estate tax is involved, the total taxes owed by individual beneficiaries of IRAs can be 60- 65%.
- Charitable beneficiaries pay 0% tax
- More certainty to accomplish your desired charitable goals
- Using this IRA mechanism reduces amounts that may be subject to probate costs and delays.

This change in the tax law has been labeled as “permanent” after several years of “one year” extensions of the provisions. It appears that these incentives are here to stay.

If you are able to donate in this fashion please contact Lisa Upton, Director of Advancement at 586-200-0143 ext. 202 or [lupton@austincatholichighschool.org](mailto:lupton@austincatholichighschool.org).



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