TEXAS CENTER FOR THE MISSING

A New Law Boosts Tax Benefits for Charitable Distributions

The SECURE 2.0 Act was signed into law in late December 2022. With its passage, individuals aged 70 ½ and older were given unique abilities to support charitable causes while potentially lowering tax burdens—**a double benefit**.

The legal change has to do with Required Minimum Distributions (RMDs). Prior to the law, individuals could directly transfer funds from an IRA to a qualified charity, which is an action known as a Qualified Charitable Distribution (QCD). Transferring the funds directly to a charity meant excluding it from taxable income and having it count towards an RMD.

Those benefits still exist today. But with the passage of the SECURE 2.0 Act, the flexibility and potential tax benefits got even better.

Here are three ways how:

01. Increased QCD Limit

The annual limit for QCDs remains $100,000, but starting in 2023, this limit will be indexed for inflation. This means the limit will increase over time to keep pace with inflation, allowing individuals to donate more to charity directly from their IRAs.

02. Aggregation of Qualified Charitable Distributions

Another benefit from SECURE 2.0 is that individuals can now aggregate their QCDs across multiple types of charities within a single year, as long as the total does not exceed the annual limit. This change provides more flexibility in how donors distribute their charitable contributions. If you have other charities besides Texas Center for the Missing that you support, this legal change can be quite useful.

These changes are designed to make it easier for individuals to use QCDs to support charitable organizations, providing more flexibility and potential tax benefits for charitable giving directly from retirement accounts.

03. One-Time QCD for Split-Interest Entities

SECURE 2.0 allows for a one-time QCD of up to $50,000 to be made to a charitable remainder trust (CRT) or a charitable gift annuity (CGA).

This new benefit provides more flexibility for donors who want to support charities through these types of planned giving arrangements.

On the next page we offer some additional color on these charitable giving strategies. If readers have additional interest or questions about these structures, Texas Center for the Missing can connect you with trusted advisors from Ascension Capital Advisors who can help.

Charitable Remainder Trusts (CRTs)

A Charitable Remainder Trust (CRT) is a type of irrevocable trust that provides income to one or more beneficiaries for a specified period—or for their lifetimes—after which the remaining assets are donated to designated charitable organizations. There are two main types of CRTs, which we detail below.

- **Charitable Remainder Unitrust (CRUT)**
  A Charitable Remainder Unitrust (CRUT) is a type of trust that provides a fixed percentage of its value, re-evaluated annually, to one or more beneficiaries for a specified period or for the lifetime of the beneficiaries. After this period, the remaining assets in the trust are donated to designated charitable organizations. This arrangement allows donors to support their chosen charities while receiving an income stream and potential tax benefits.

- **Charitable Remainder Annuity Trust (CRAT)**
  A Charitable Remainder Annuity Trust (CRAT) is a type of trust that provides fixed annuity payments to one or more beneficiaries for a specified term or the lifetime of the beneficiaries. After the term ends, the remaining assets in the trust are donated to designated charitable organizations. This arrangement allows donors to support charitable causes while receiving a stable, predictable income and potential tax benefits.

Charitable Gift Annuity (CGA)

A Charitable Gift Annuity (CGA) is a contract between a donor and a charity in which the donor makes a sizable gift to the charity and, in return, receives fixed annual payments for life. Upon the donor’s death, the remaining value of the gift is retained by the charity. This arrangement allows donors to support charitable causes while securing a steady income stream and potential tax advantages.

An Example of How the QCD Tax Benefit Can Make an Impact

As a hypothetical example, let's say a donor files taxes as married filing jointly, with a 2024 income of $300,000. The individual also has a 2024 Required Minimum Distribution of $90,000, which must be withdrawn by the end of the year.

Taking the RMD in full would mean pushing household income to $390,000, which would also mean moving from the 24% tax bracket to the 32% tax bracket—a significant jump.

With the QCD allowance, this individual could transfer some or all of his/her RMD to a charity or charities of choice, which also allows the money to be excluded from taxable income and prevent the individual from jumping into the next tax bracket.

Make a Qualified Charitable Distribution to Texas Center for the Missing

If a qualified charitable distribution (QCD) sounds like a good fit for you, or if it's an idea you'd like to explore further, please reach out to Texas Center for the Missing today!

With help from TCM's long-time donor and board member, Paul Thompson Jr. (and his team at Ascension Capital Advisors), we have resources available to help you structure a giving strategy that meets your goals and needs.

ASCENSION CAPITAL

REACH OUT TODAY:

TEXAS CENTER FOR THE MISSING

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