MISSOURI TRUST
AND INVESTMENT CO

Missouri Trust
and Investment Co
3100 S National Avenue, Suite 200
Springfield, MO 65807

CHARITABLE IRA ROLLOVER

We are beginning a new year with a new tax plan that might impact your charitable gifting strategy. Due to higher standard deductions many taxpayers will be less likely to itemize deductions. While that is not necessarily a bad thing, it could require alternative strategies to minimize your tax burden. That is where the charitable rollover also known as a Qualified Charitable Distribution (QCD) might be able to help.

A QCD is a gift option that enables donors age 70½ or older to transfer up to $100,000 directly from the donor's IRA to a qualified charity each year. The donor does not recognize the distribution as taxable income on his or her tax return. However, it's important to note the transfer may not be claimed as a charitable income tax deduction as that would be considered double dipping. Another advantage of the QCD is it will still count toward the owner's required minimum distribution (RMD). Due to the phase out of itemized deductions and the alternative minimum tax (AMT), a QCD could be a much more tax-efficient way of making a lifetime gift.

How it Works

You must be age 70½ or older in order to make the QCD and your charitable contribution must be paid directly from your IRA to a qualified charity. The distribution must be one that would otherwise be taxable to you. You can exclude up to $100,000 of QCDs from your gross income in 2018. If you file a joint return, your spouse can exclude an additional $100,000 of QCDs in 2018.

QCDs count toward satisfying any RMDs that you would otherwise have to receive from your IRA, just as if you had received an actual distribution from the plan. However, distributions that you receive from your IRA (including RMDs) that you subsequently transfer to a charity cannot qualify as QCDs.

If you've made nondeductible contributions, then normally each distribution carries with it a pro-rata amount of taxable and nontaxable dollars. However, a special rule that applies to QCDs is the pro-rata rule which is ignored so your taxable dollars are treated as distributed first.

Why are QCDs important?

Without this special rule, taking a distribution from your IRA and donating the proceeds to a charity would be a bit more cumbersome, and possibly more expensive. You would need to request a distribution from the IRA, and then make the contribution to the charity. You would receive a corresponding income tax deduction for the charitable contribution, but the additional tax from the distribution may be more than the charitable deduction due to the limits that apply to charitable contributions under Internal Revenue Code Section 170.

QCDs avoid all this by providing an exclusion from income for the amount paid directly from your IRA to the charity because you don't report the IRA distribution in your gross income, and you don't take a deduction for the QCD. The exclusion from gross income for QCDs also provides a tax-effective way for taxpayers who don't itemize deductions to make charitable contributions.

This information is not intended to be a substitute for specific individualized tax advice. I suggest that you discuss your specific tax issues with a qualified tax adviser to see if this strategy makes sense for your unique situation.

JEREMY A. LOFTIN
CHIEF INVESTMENT OFFICER
CELL – 417.569.4140
JLOFTIN@MISSOURITRUSTCOMPANY.COM

Jeremy began his career in trust and investment management services in 2002, working for an independent Springfield trust company that was subsequently acquired by a bank holding company headquartered in Jefferson City, Missouri. Over his 12 years in the trust industry, Jeremy has experienced firsthand the benefits to the client that are only available in an independent trust company model. As a result of the void created in our market from the acquisition of the independent trust companies by larger banks, Jeremy, along with a team of local employees and investors, chartered Missouri Trust & Investment Company on July 5, 2017.Jeremy leads the investment management team at Missouri Trust & Investment Company, providing complex investment management and trust administration solutions to clients. In 2013, Jeremy obtained the Certified Financial Planner (CFP®) designation, which requires study in the areas of estate planning, financial planning, insurance, investments and taxes. As a CFP®, he assists clients in creating a road map for important milestones in their lives, such as planning for retirement or funding a child's education.