

## Good News! The PATH Act of 2015 made the QCD permanent.

*By Rick Rodgers*

President Obama signed into law the Protecting Americans from Tax Hikes (PATH) Act of 2015 on December 18, 2015. The new law extended over 50 expired provisions of the tax code. Among these provisions was the restoration of QCDs (Qualified Charitable Distributions) that allows IRA owners over age 70 ½ to give IRA funds directly to charity without having to include them in income. It had become almost a holiday tradition for many IRA owners to wait for Congress to act on this provision. In 2013, Congress didn't extend the provision until after midnight on December 31st. The game of "wait and see" is finally over as this bill makes the provision permanent. At least as permanent as anything ever is in the tax code. The provision was restored retroactively to January 1, 2015. If you made a QCD earlier in 2015 hoping Congress would come through again, that distribution has become a valid QCD.

IRA owners over age 70 ½ who are charitable will not have to procrastinate taking their required minimum distribution (RMD) in 2016. The ability to give directly to a charity and avoid reporting the income on their tax return is a huge advantage to taxpayers who don't itemize deductions. Charitable contributions don't save income taxes unless you itemize. A QCD saves income tax because the amount of the contribution is not shown as income. Lowering income can also help reduce the taxable amount of Social Security benefits and reduce the amount of the Medicare Surtax for taxpayers with higher incomes.

The distribution must go directly from your IRA custodian to the charity to qualify as a QCD. The charity needs to acknowledge the gift for your records. The taxpayer reports the gross amount of their distribution on line 15a of tax Form 1040 but only carries over the taxable amount to line 15b. If the entire distribution went to the charity, this number will be zero. Write "QCD" next to line 15b to further identify the transaction.

Careful charitable planning could be the key to a lower tax bill in 2016 and even lower Medicare premiums. Normal RMDs increase AGI (and MAGI) which may cause you to lose some tax benefits such as the deduction of medical & miscellaneous expenses and reduction of passive loss deductions. You should consider consulting with your financial adviser to determine if gifting through a QCD makes sense in your circumstances. There may be factors other than taxes to be considered.



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