

How have the recent tax law changes affected you?

This is a question that can be asked almost every time after a session of Congress has concluded. Or when new laws are passed. If major tax law legislation has not been passed, many times some modifications to prior tax law are enacted. In any case, tax law changes are almost constantly evolving. Most recently, the [SECURE 2.0 Act](#) was passed. Many of the provisions of this new law affects individuals and their planning for retirement. They also affect gifting, both to individuals and to charity. In fact, one provision of the law addresses both planning opportunities, specifically for those individuals now forced to withdraw income from their IRA.

Refresher: RMDs and QCDs

As a review, individuals now age 72 or older must withdraw a stated amount from their IRA each year. This is the Required Minimum Distribution, or RMD. The rationale for this requirement is that the money in the IRA has enjoyed tax advantaged status during the accumulation period, and tax is now due during the distribution period. The amount coming out of the IRA, will now be taxed at ordinary income tax rates. These are the highest rate schedule of tax. The amount to be distributed each year is based on the prior year's 12/31 value of the IRA. The owner's life expectancy is also considered. On that amount, the taxpayer's life expectancy is used to calculate how much will be distributed in that year.

For those IRA owners subject to RMD distributions and the accompanying income tax, an opportunity exists to support charitable interest and avoid the tax. By making a direct gift from the IRA in support of the work of a qualified charity, such as the Episcopal Community Foundation for Middle and North Georgia, you reduce the amount of RMD that you need to take. This is known as a [Qualified Charitable Distribution](#), a QCD. This year a QCD can be made up to \$105,000. This payment is not treated as taxable distribution. Therefore it keeps the taxpayer's income lower for calculating taxes on Social Security and Medicare Part B and D premiums as well.

Recent Tax Law Changes: One-Time Opportunity

[SECURE 2.0 Act has added a provision to this requirement](#) that could be of benefit to many. There is now a one-time opportunity to make a \$53,000 contribution to a Charitable Remainder Trust or to a Charitable Gift Annuity. Both of which offer lifetime income back to the donor who makes the gift. This \$53,000 also counts toward satisfaction of the current year's RMD. The provision allows for a legacy gift to charity, a reduction of earned income and an income stream back to the donor. There is a practical aspect to this tactic, while setting up a trust for this amount may not be, due to the costs involved. Hopefully, the limit of \$53,000 will be increased in future years. There is always the risk that it could be eliminated, however, so motivation to investigate this idea now is strong.



Pat Renn (he/him) is the founder and president of The Renn Wealth Management Group and has more than 35 years of experience in the financial services industry. He is a member at the Cathedral of St. Philip where he

has previously served as junior warden and endowment chair; he has also served as board member and endowment chair of Holy Innocents' Episcopal School. [Learn more about the ECF Board of Directors](#)

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