

Contributions That Allow A Deduction

As we prepare for end of the year finances and contributions, we often look for ways to reduce our federal taxes. Because of the recent federal Income tax increase in the Standard Deduction, many individuals and couples no longer itemize on their federal income taxes. However, two different provisions in the law allow non-itemizers to make a contribution and still take an above the line deduction. You can use both of these provisions on your taxes for 2021.

If you reached age 72 (increased from 70 ½ previous years) you typically must take a Required Minimum Distribution (RMD) from your Individual Retirement Account (IRA). There is a way you can contribute to Grace UCC or any qualified charity and still reduce your taxes. You can use some or all of your RMD (up to \$100,000 for the year) to make a qualified distribution from your IRA to Grace UCC.

The qualified distribution amount to Grace UCC will lower your adjusted gross income, thereby reducing the amount of federal income tax you pay. To qualify, the distribution must be made directly from your IRA to Grace UCC. You don't need to itemize taxes in order to make an IRA charitable distribution. However, if you do itemize your tax deductions, you may not also claim a charitable tax deduction when making a charitable distribution from your IRA.

Because you are giving directly from your IRA, you reduce your Adjusted Gross Income and possibly reduce Social Security and other income or deductions to higher levels of taxation.

Ask your IRA custodian or investment advisor for a form to arrange for a Qualified Charitable Distribution. For more information contact the Grace UCC at 717-632-1146.

The other provision in the law allows non-itemizers to take an above the line deduction of up to \$300 for each individual taxpayer (married filing jointly can deduct \$300 for each or up to \$600 total) to a qualified charity, such as the Grace UCC.

The advantage of this above the line deduction is that it lowers both the adjusted gross income and the taxable income, translating into tax savings for those making the donations. Be sure to obtain and retain receipts for the donations. If you have questions please contact the church office at 717-632-1146.

Your continued support is greatly appreciated and enables us to continue spreading God's love.