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Dom Gabriel Rach  
235 Glen Street  
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Dear Fr. Gabriel,

I am pleased to share with you some important information about tax law changes involving charitable giving that make qualified charitable distributions (“QCDs”) by parishioners with traditional IRAs in 2026 *far* better than donations using after-tax money.

Not only do QCDs direct money that otherwise would go to the IRS and NYS in taxes to the parish instead, depending on one’s income level, using QCDs may reduce parishioners’ Medicare premiums and qualify them for a \$6,000 single/\$12,000 married age-65-and-older deduction.

Two new rules will reduce the value of charitable deductions for many donors. Beginning this year, only gifts that exceed 0.5% of a donor’s adjusted gross income (“AGI”) will qualify for a deduction. As an example, a married couple with \$100,000 AGI can only deduct charitable contributions that exceed \$500 each year. Also, for taxpayers in the highest bracket, the value of itemized deductions will be capped at a 35% tax benefit rather than the current 37% rate.

### **Qualified Charitable Distributions: A Powerful Tool for Senior Donors**

QCDs are an especially tax-efficient way for parishioners age 70½ or older with traditional IRAs to support the parish. *None of the changes to charitable deductions apply to QCDs*, making them more advantageous than ever for senior donors.

Here is how QCDs work: Instead of writing a check, one transfers funds from a traditional IRA directly to a qualified charity. These donations have real power: no tax was paid on the funds when they went into the IRA, no tax is due on income earned inside the IRA, and no tax is owed on QCDs donated to the parish.

QCDs can reduce taxable required minimum distributions, or RMDs, for parishioners age 73 and over. If someone with a \$20,000 RMD first donates \$5,000 to the parish via a QCD, the taxable RMD drops to \$15,000. (QCDs must be made before one’s RMD is satisfied to reduce taxable RMD)

### **A Win-Win for Taxpayers and the Parish**

Let me share a real-life example that shows just how powerful QCDs can be. I have a Glen Cove client who turned 70 last month, who last year donated \$9,000 per year (\$750 per month) using WeShare and who authorized me to use him as an example. He has a combined federal and New York State income tax rate of 35%.

He has stopped using WeShare and instead will direct his investment advisor to set up monthly QCDs totaling \$12,500 per year to the parish starting when he turns 70½ in mid-2026. Were he to take the \$12,500 from his IRA directly, he would owe \$4,375 in federal and state taxes on it. That would leave him with \$8,125 after taxes, which is less than his 2025 \$750 monthly donation. By directing the QCD to the parish instead, the full \$12,500 goes to the parish and *he will owe no taxes on it at all*. The net cost to the parishioner is the \$8,125 after-tax amount (less than the \$9,000 he donated last year) and the parish will receive \$12,500 instead of \$9,000.

In other words, the \$4,375 that would have gone to the federal and NY State government in taxes goes to the parish instead. That's a nearly 50% increase in the parishioner's gift to the parish *at absolutely no additional cost to the parishioner*, a true win-win.

### **Why Reducing Adjusted Gross Income Matters**

Unlike regular charitable deductions, QCDs *actually reduce* a taxpayer's adjusted gross income (AGI). For example, donating one's entire RMD via a QCD (up to the \$115,000 per person QCD limit) means *absolutely no taxable RMDs*. This matters because many tax provisions are tied to AGI. By contrast, itemized deductions don't reduce AGI at all.

In addition, by lowering one's AGI through QCDs, a taxpayer who must take RMDs may be able to take fuller advantage of the new \$6,000 deduction for single filers (\$12,000 for joint filers) age 65 and older. This valuable new deduction begins to phase out at \$75,000 of adjusted gross income for most singles and \$150,000 for joint filers. Using QCDs to reduce AGI could keep the parishioner under these AGI limits and help them qualify for more of this benefit.

### **Avoiding Medicare Premium Surcharges**

Perhaps even more significant for many retirees, reducing AGI through QCDs can help avoid the higher income-based Medicare premiums (a/k/a IRMAA), which can jump based on just one extra dollar of income. This year's standard Medicare premium is just under \$203/month. Depending on AGI, these premiums can increase by \$81 to \$702 *per month*. A parishioner locked into large taxable RMDs can shift charitable giving to QCDs to stay below IRMAA bracket thresholds, saving between just under \$1,000 - \$8,500 per year.

### **Important Details About QCDs**

Any traditional IRA owner who is at least 70½ years of age can make QCDs. The funds must be transferred directly from the IRA to the parish, either directly or by a check made payable to the parish and mailed to the account owner.

### **In conclusion**

I encourage your parishioners to consult with their tax advisors and financial planners to determine how these strategies might work for them. I will be pleased to answer questions that parishioners email you about QCDs or charitable deductions.

All the best,

Michael G. Norman