

CALENDAR

October 11 - 13, 2018

2018 NRHS Fall Conference
Advisory Council and Board of
Directors' Meetings
Scranton, PA
www.nrhs.com

March 21-23, 2019

2019 NRHS Spring Conference
Birmingham, AL
www.nrhs.com

May 7 - 11, 2019

2019 NRHS Convention
Salt Lake City UT
www.nrhs.com

November 8 - 9, 2019

2019 NRHS Fall Conference
Dallas, TX
www.nrhs.com

New NRHS Mailing Addresses

Effective immediately, the NRHS has two new mail addresses that replace the Mount Laurel NJ address. The Society thanks Capehart & Scatchard, P.A for their gracious help during a critical time.

NRHS correspondence, except membership renewals.

National Railway Historical Society, Inc.
505 South Lenola Road
Suite 226
Moorestown, N.J. 08057

Membership renewals.

National Railway Historical Society
P. O. Box 31074
St. Louis MO 63131

NRHS Leadership Update

Submitted by Al Weber, President

During this holiday season, many NRHS chapters (especially those with museums) will hold events and programs for the public, from special train rides to open houses and model train displays. Event details or schedules are available on the sponsor chapter's website. I encourage all NRHS members to visit and experience these events with friends and family.

While showing support for these chapters, you may discover new hobbyists, gain new members, glean new ideas and find new project collaborators for the New Year. NRHS membership year runs Jan. 1 through Dec. 31. Please welcome new individuals - the membership for any individual who joins now for the first time will be valid through 2019.

Membership renewal season is also upon us, for both National and chapters. Some chapters handle the National renewals for their members. At the end of each month, please have the membership coordinator submit the renewals to National. This helps to minimize 'second notice' mail reminders, and also reduce member concerns about "I already renewed, why did I get this letter". During last year's renewal period, one chapter delayed sending their renewal payment and paperwork; their members contacted National about renewal reminders. This caused significant volunteer time and work to research and reply to each membership status inquiry.

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Have questions about the NRHS convention? Please send those to convention@nrhs.com to ensure your questions get to the convention contact directly, rather than being forwarded through the NRHS general email address.

Enjoy good photography or taking an armchair trip to Far Eastern railroading? The Japan Railfan Club provides very good photographs in its excellent publication at <http://www.jrc.gr.jp/e/>. The index is available in English; issue content is in Japanese.

If you have questions, concerns, or suggestions for the NRHS, please feel free to contact your chapter's National representative, District Director or me. Best regards, Al Weber. (aweber@nrhs.com).

NRHS Membership Brochures

Submitted by Jon Baake

Tri-fold NRHS Membership Brochures are available for NRHS members and chapters to use at shows and meetings to provide information on the NRHS and attract new members. If you have a connection with railroad attractions and/or museums, you can assist us by encouraging those institutions to display our membership brochures and promote NRHS membership. To receive these brochures, postpaid, send your request to Jon Baake at jbaake@outlook.com. Include your name, the name of the institution

to receive the brochures (if any), the address to which they should be sent, and the quantity requested. Thank you for your help in promoting membership in the NRHS.

The Value of the NRHS

Submitted by Al Baker, National Representative, Pacific Northwest Chapter

Today I am pleased to report that NRHS is a healthy organization. In recent times NRHS has made significant changes and is still making changes. It is well past the troubles of a few years ago. It is not the same organization of years past. It is true it no longer has 10,000 or 15,000 members like it once did. But decreasing membership is exactly in line with that being experienced by many, many other organizations nationwide. It is now a slimmer and trimmer organization. NRHS is now financially sound. It is not rich, but doing well.

NRHS is still a leader in and has a great reputation in railroad preservation movements. That is why the support of members and chapters is so important to NRHS.

The value of NRHS is not so much about what NRHS is giving you and benefiting you, but more about how your support (members and chapters) can help NRHS be influential in and able to do things for railroad preservation at a higher level. It is a way that members and chapters can be part of something much bigger than themselves.

NRHS needs the support of members and chapters in order to be effective in doing all of these things. Please continue to support NRHS and the work that we all do.

How to Use an IRA Giving Strategy to Increase Tax Benefits

Submitted by Roy J. Wullich
C005 - Rochester Chapter

Many of us give to charities not only out of a sense of helping but also because it can be a great tax strategy. Typically, individuals give cash or securities directly to their charities of

choice, which results in an itemized deduction reported on Schedule A of their personal tax returns.

With tax law changes, specifically an increase in the standard deduction to \$24,000 for a married couple filing jointly, in some cases, these types of itemized deductions have had their tax benefits lessened or even eliminated completely.

Using a Qualified Charitable Distribution Strategy

An alternative to the traditional methods of charitable giving for those who are 70½ or older is a qualified charitable distribution, or QCD. A QCD is a distribution from an IRA made directly to a qualified charitable entity. The total allowable distribution is limited to \$100,000 per year per taxpayer (\$200,000 for a married couple if both have IRAs). This tax-saving strategy has been around for a while but was recently made a permanent part of the tax code. It's important to note that a QCD can be used to satisfy the required minimum distribution from an IRA if an individual is over age 70½.

QCDs Reduce the Donor's Taxable Income

The tax treatment of a QCD differs from the traditional method of giving because a QCD is reported as an above-the-line deduction. Simply put, the amount of a gift directly from an IRA to a charitable organization can reduce the donor's adjusted gross income (AGI). This treatment is important because a QCD may give greater tax benefits than giving cash or securities, which are reported as an itemized charitable deduction on Schedule A.

For example, if a married couple has taxable income consisting of \$20,000 from Social Security and \$80,000 from a required minimum distribution from an IRA, their AGI is \$97,000 after subtracting the portion of Social Security excluded from tax. They have modest expenses, so they give \$20,000 to charity with no other income or deductions to consider here.

As of the 2018 tax year, they would receive no positive tax effect from their charitable

donation because the amount falls below the \$24,000 standard deduction, which brings their taxable income to \$73,000 (\$97,000 of AGI minus the \$24,000 standard deduction). Given their AGI, they would owe ~\$8,379 in federal income tax.

If instead they make the \$20,000 donation using a QCD strategy, the taxable amount from their IRA distribution is reduced by \$20,000 which in turn drops their AGI from \$97,000 to \$77,000. After the standard deduction of \$24,000, their taxable income is \$53,000 meaning they owe \$5,979 in federal tax. The couple saves \$2,400 in taxes with no negative impact on their cash flow as a result of making their charitable contribution via the QCD mechanism.

This is a simplified example, but it shows how restructuring the charitable gift to meet QCD requirements can potentially reduce taxes that are owed. It effectively increases disposable income to the couple without affecting the amount the charity receives. Note that this tax savings strategy may become even more powerful if the AGI reduction moves them into a lower tax bracket, reduces their state income taxes, or reduces their net investment taxes due. The higher their charitable donations, the greater potential for tax benefits which may magnify their total tax savings.

QCDs may lower Medicare premiums

Another potential positive effect of a QCD is that by reducing adjusted gross income, they may also reduce the donor's Medicare costs. In 2018, differences in AGI (from two years ago) may reduce Part B monthly premiums as much as \$294.60 and Part D costs can vary as much as \$74.80 per month. For example, a married couple with a 2016 AGI of \$270,000 will pay \$348.30 per month per person for Medicare Part B in 2018 and pay another \$54.20 in addition to their plan premium for Part D. If they made a \$100,000 qualified charitable distribution in 2016 their AGI would have been lowered to \$170,000. Their Part B cost would drop to \$134.00. Part D cost would just be their plan premium. This represents a savings of \$214.30 on Part B and \$54.20 on Part D, per person per month.

That means the total annual cost for both of them is reduced by \$6,444. While that savings may not be enough to justify giving away \$100,000, the lesson here is to note that utilizing the QCD mechanism for charitable donations they're already making may provide multiple benefits by lowering their overall taxable income.

Tips for implementing a QCD

The donor will need to take certain steps for a qualified charitable distribution and to report it when filing their tax return. First, a QCD must be paid directly to a qualifying charity. The distribution cannot come to the individual first, but instead must be distributed directly from their IRA account to the charity. The QCD must be made by Dec. 31 to count for the current tax year (just like a required minimum distribution).

While on the surface this may sound complicated, in actuality, it's no more complicated than sending cash or donating shares of stock to a charity. Many charitable organizations are well-prepared to accept donations via QCDs, especially now that the tax law has made the strategy more favorable.

Once the donor decides to utilize a QCD, it's advisable to coordinate with the charity and the custodian of their IRA to ensure the correct steps are followed for the distribution to qualify by going directly from the donor's IRA account to the organization.

Another detail to manage is the reporting of the distribution on their federal tax return. This is important since the IRA custodian will report this IRA distribution as a normal taxable distribution on the 1099-R tax form for their account. Whether they prepare their own return or enlist a CPA, they will need to report the full IRA distribution on the 1040 line for IRA distributions. Then, they will enter \$0 on the line for the taxable distribution amount (assuming the full distribution was a QCD). Remember — under current tax law, the maximum QCD is \$100,000 per year or \$200,000 per couple if both individuals have IRAs.

Projecting all the tax effects with and without a qualified charitable distribution is essential to deciding whether or not to implement this strategy. These examples show that qualified charitable distributions are important to consider for taxpayers who are interested in making charitable contributions, are looking to maximize tax efficiencies, or who don't need all the cash provided from their required IRA withdrawals.

Since this strategy has both financial planning and multiple tax implications, it is best used after fully evaluating all the options for meeting the donor's charitable giving intentions in the context of their individual situation and consulting with their tax advisor.

***NRHS Telegraph* Deadlines**

The *NRHS Telegraph* is published in odd-numbered months, for a total of 6 issues annually. In general, the new deadline is the 15th of the month preceding the issue.

Submissions should be text-only, and sent the month prior to the issue. Issues are distributed in PDF format. Files are available on the NRHS Admin website at <https://admin.nrhs.com/telegraph/>.

Upcoming deadlines are listed below:

- *January 2019* volume 49, number 1 – December 15, 2018 deadline.
- *March 2019* volume 49, number 2 – February 15, 2019 deadline.

Please send questions, announcements and articles to Valli Hoski, Editor, *NRHS Telegraph* at TelegraphVal@gmail.com

NRHS Meeting Postings

NRHS Meeting notices, Bylaws, Policies, Meetings, and Approved Financial Documents are at <https://admin.nrhs.com/>.

NRHS Telegraph is published by the National Railway Historical Society as news warrants. News is current at time of printing. Send submissions, questions, suggestions to: **TELEGRAPHVAL@gmail.com**
Valli Hoski (North Texas Chapter), Editor
Ellen Pinsky (Iowa Chapter), Editorial Assistant.