

## Qualified Charitable Distributions (QCDs)

When planning your IRA withdrawal strategy, you may want to consider making charitable donations through a QCD.

A **QCD** is a direct transfer of funds from your IRA custodian, payable to a qualified charity. QCDs can be counted toward satisfying your required minimum distributions (RMDs) for the year, as long as certain rules are met.

In addition to the benefits of giving to charity, a QCD excludes the amount donated from taxable income, which is unlike regular withdrawals from an IRA. Keeping your taxable income lower may reduce the impact to certain tax credits and deductions, including Social Security and Medicare.

Also, QCDs don't require that you itemize, which due to the recent tax law changes, means you may decide to take advantage of the higher standard deduction, but still use a QCD for charitable giving.

### Can I make a QCD?

While many IRAs are eligible for QCDs—Traditional, Rollover, Inherited, SEP (inactive plans only), and SIMPLE (inactive plans only)\* —there are requirements:

- You must be 70½ or older to be eligible to make a QCD.
- QCDs are limited to the amount that would otherwise be taxed as ordinary income. This excludes non-deductible contributions.
- The maximum annual amount that can qualify for a QCD is \$100,000. This applies to the sum of QCDs made to one or more charities in a calendar year. (If, however, you file taxes jointly, your spouse can also make a QCD from his or her own IRA within the same tax year for up to \$100,000.)
- For a QCD to count towards your current year's RMD, the funds must come out of your IRA by your RMD deadline, generally December 31.

Any amount donated above your RMD does not count toward satisfying a future year's RMD.

Funds distributed directly to you, the IRA owner, and which you then give to charity do not qualify as a QCD.

Under certain circumstances, a QCD may be made from a Roth IRA. Roth IRAs are not subject to RMDs during your lifetime, and distributions are generally tax-free. Consult a tax advisor to determine if making a QCD from a Roth is appropriate for your situation.

What kind of charities qualify?

The charity must be a 501(c)(3) organization, eligible to receive tax-deductible contributions.

## **Some charities do not qualify for QCDs:**

- Private foundations
- Supporting organizations: i.e., charities carrying out exempt purposes by supporting other exempt organizations, usually other public charities
- Donor-advised funds, which public charities manage on behalf of organizations, families, or individuals

### **Tax reporting**

A QCD is reported as a normal distribution on IRS Form 1099-R for any non-Inherited IRAs. For Inherited IRAs or Inherited Roth IRAs, the QCD will be reported as a death distribution. Itemization is not required to make a QCD. While the QCD amount is not taxed, you may not then claim the distribution as a charitable tax deduction.

A QCD is not subject to withholding. State tax rules may vary, so for guidance, consult a tax advisor.

When making a QCD, you must receive the same type of acknowledgement of the donation that you would need to claim a deduction for a charitable contribution.

A tax advisor can help you determine if both your IRA and charity qualify for QCDs.