

## Donating to a charity using a Qualified Charitable Distribution (QCD)

If you are age 72 or older, IRS rules require you to take Required Minimum Distributions (RMD) each year from your tax-deferred retirement accounts. This distribution is taxed as earned income. You can reduce your taxes if you are required to make a RMD from a Traditional IRA and you make charitable contributions any way, by making a Qualified Charitable Distribution (QCD). You can take advantage of this even if you take the standard deduction.

The rules of QCDs. A QCD must adhere to the following requirements:

- You must be at least 70½ years old at the time you request a QCD. If you process a distribution prior to reaching age 70½, the distribution will be treated as taxable income.
- For a QCD to count toward your current year's RMD, the funds must come out of your IRA by your RMD deadline, which is generally December 31 each year.
- Funds must be transferred directly from your IRA custodian to the qualified charity. This is accomplished by requesting your IRA custodian issue a check from your IRA **payable to the charity**. You can then request that the check be mailed to the charity or forward the check to the charity yourself.  
Note: If a distribution check is made *payable to you*, the distribution would NOT qualify as a QCD and would be treated as taxable income.
- The maximum annual distribution amount that can qualify for a QCD is \$100,000. This limit would apply to the sum of QCDs made to one or more charities in a calendar year. If you're a joint tax filer, both you and your spouse can make a \$100,000 QCD from your own IRAs.
- The account types that are eligible for QCDs include:
  - Traditional IRAs
  - Inherited IRAs
  - SEP IRA (inactive plans only\*)
  - SIMPLE IRA (inactive plans only\*)
- Under certain circumstances, QCDs 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.
- Certain charities are not eligible to receive QCDs, including donor-advised funds, private foundations, and supporting organizations. You are not allowed to receive any benefit in return for your charitable donation. For example, if your donation covers your cost of playing in a charitable golf tournament, your gift will not qualify as a QCD.
- Contributing to an IRA may result in a reduction of the QCD amount you can deduct. \*

### Tax filing for QCDs

A QCD is reported by your IRA custodian 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. You should keep an acknowledgement of the donation from the charity for your tax records. Please consult a tax advisor to learn more.

For a better understanding of how QCDs can affect your taxable income, let's consider a few hypothetical scenarios. Ron has been taking RMDs for the past few years, but this year he has decided to make a QCD. Ron did not make any non-deductible contributions to his IRA, so all of his distributions would be taxable:

| Scenario 1 Ron takes a portion of his annual RMD as a QCD                             |  |   |
|---|--|---|
| Ron's annual RMD<br>= \$15,000  | Ron makes a \$10,000 QCD                               | Ron's remaining RMD of \$5,000 will count towards his taxable income  |
| Scenario 2 Ron takes his entire annual RMD as a QCD                                   |  |   |
| Ron's annual RMD<br>= \$15,000  | Ron makes a \$15,000 QCD                               | Ron's satisfied his full RMD by making a QCD. His taxable RMD income is \$0 instead of \$15,000.  |
| Scenario 3 Ron takes his entire annual RMD as a QCD, and donates an additional amount |  |   |
| Ron's annual RMD<br>= \$15,000  | Ron makes a \$15,000 QCD and an additional \$5,000 QCD | Ron's satisfied his full RMD by making a QCD. His taxable RMD income is \$0 instead of \$15,000. None of the additional \$5,000 QCD can count toward Ron's RMDs for future years. |