

THINKING OF MAKING A QUALIFIED CHARITABLE DISTRIBUTION?

Should you consider a Qualified Charitable Distribution from your IRA?

Yes! Besides the benefits of being benevolent and giving to your favorite charity, it is a great way for people who make donations each year to maximize their tax benefits in doing so. When we reach the age of 72, IRS requires us to take money out of our traditional IRAs annually. These are called RMDs (required minimum distributions). Because these RMDs are required and taxable income, finding a way to reduce the tax on these distributions and maximize your charitable donation is a perfect match.

What is a Qualified Charitable Distribution?

A Qualified Charitable Distribution, or QCD, is a direct transfer of money from your IRA to a qualified charity.

Why do a QCD vs. making a traditional donation via cash or check?

A QCD excludes the donation from your taxable income. When your taxable income is lower it may positively affect certain tax credits and deductions based on income levels. Depending on your income levels a QCD could also reduce the taxability of your Social Security.

Also, QCD's do not require that you itemize. With recent tax law changes the itemized deduction amount has gone up substantially and as such many taxpayers no longer itemize making their donation, not tax-deductible. A QCD will bring this back.

Can I make a QCD?

QCD requirements:

- You must be 70 ½ years of age or older to be eligible to make a QCD.
- Not all types of IRAs are eligible (talk to your financial advisor).
- QCDs are limited to the amount that would otherwise be taxable income to the taxpayer.
- There are annual maximum amounts of \$100,000 per person.
- For a QCD to count towards your RMD for the year, the funds must come out of your account by your RMD deadline, (typically Dec 31.)
- If you are still contributing to your IRA it may result in a reduction of the QCD that you can deduct.
- Remember that funds distributed directly to you and then subsequently donated to a charity, do not qualify for a QCD. They have to be direct from the IRA.

What charities qualify?

The charity must be a 501(c)(3) organization to receive the tax-deductible contribution.

Tax reporting

You will receive your 1099-R for the distribution from your IRA and the taxable amount will be reduced by the amount of the QCD.

Just like any other donation, you should receive and save in your tax records, the acknowledgment of the donation from the charitable organization. Because this donation receipt will be included with your tax records be careful not to deduct the donation in your itemized deductions, as well as be a QCD.

If you have questions, seek the help of a tax professional to determine if your IRA and charity qualify for QCDs.