

Qualified Charitable Distributions from IRAs



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Qualified Charitable Distributions (QCDs), or charitable IRA rollovers as they are sometimes called by charitable organizations, are tax-free gifts made directly from your IRA to a qualified charity. They are only available to individuals aged 70 ½ or older and they count towards any annual required minimum distribution (RMD) you may have, even though they are not included in taxable income on your federal income tax return.

Most public charities are considered qualified charities for annual QCDs which are subject to a \$100,000 limitation in 2023 (\$105,000 in 2024). One-time gifts to split-interest entities, such as charitable gift annuities, charitable remainder or charitable lead trusts are subject to a \$50,000 limitation in 2023 (\$53,000 in 2024) and can only be made if certain conditions are met. Gifts to donor-advised funds,

pooled income funds, and most private foundations are not eligible to be treated as a QCD. You should contact the charitable organization prior to making a gift from your IRA to ensure they are a qualified charity.

You do not have to itemize to take advantage of this popular IRA charitable gifting strategy, but you cannot also claim the amount you donated from your IRA as a charitable deduction. In addition, you must reduce the amount of your QCD by the aggregate amount of deductible IRA contributions you make after the age of 70 ½.

QCDs cannot be taken from any employer-sponsored retirement plan – such as 401(k)s, 403(b)s, pension plans, SEP or SIMPLE IRAs. Special rules apply for recovering basis if your IRA contains non-deductible (after-tax) contributions, so consult with your tax advisor if this applies to you.

Should You Donate Your RMD to Charity?

If you are over age 70 ½ or must take RMDs, you plan on making a charitable contribution, and you don't need the income from your IRA RMD to cover your living expenses, discuss the benefits of a QCD with your tax professional. If you are interested in gifting to a charity from your IRA this year, contact your financial advisor. Any gifts must be completed by December 31st. ■

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