

Qualified Charitable Distributions from IRAs



Qualified Charitable Distributions

Qualified Charitable Distributions (QCDs), or charitable IRA rollovers as they are sometimes called by charitable organizations, are gifts of \$100,000 or less made directly from your IRA to a qualified charity. They are only available to individuals aged 70 ½ or older and although they count towards any annual required minimum distribution (RMD) you may have, they are not included in taxable income on your federal income tax return.

Most public charities are considered qualified charities for QCDs, but donor-advised funds, charitable gift annuities, pooled income funds, charitable remainder or charitable lead trusts, and most private foundations are not. 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. You also 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 – that includes 401(k) plans, 403(b) plans, pension plans, SEP IRAs or SIMPLE IRAs. Special rules apply for recovering basis if your IRA contains non-deductible or 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 and 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 Benjamin F. Edwards financial advisor. Any gifts must be completed by December 31st. ■

IMPORTANT DISCLOSURES The information provided is based on internal and external sources that are considered reliable; however, the accuracy of this information is not guaranteed. This piece is intended to provide accurate information regarding the subject matter discussed. It is made available with the understanding that Benjamin F. Edwards & Co. is not engaged in rendering legal, accounting or tax preparation services. Specific questions on taxes or legal matters as they relate to your individual situation should be directed to your tax or legal professional.