

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.

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.

What kind of charities qualify?

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

Tax reporting

A QCD is reported as a normal distribution on IRS Form 1099-R for any non-Inherited IRAs. While the QCD amount is not taxed, you may not then claim the distribution as a charitable tax deduction.

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.

As the standard deduction increases in 2018, the QCD may be great strategy to deduct your charitable contributions and reduce your tax liability.