



Many of our clients are concerned about the tax consequences of their IRAs once they reach 72 and begin taking required minimum distributions (RMDs). Qualified Charitable Distributions (QCDs) are direct transfers from an IRA to a qualified charity. The distribution can satisfy your RMD while the value of the QCD may be excluded from taxable income.

Qualified Charitable Distributions

- QCDs are a way to meet your RMD obligation, satisfy your charitable intent, and save money on taxes.
- A QCD is a direct transfer of funds from your IRA custodian to a qualified charity.
- The IRA owner must be at least 70½ on the date of distribution.
- If certain rules are met, QCDs can satisfy all, or part of your RMD for the year while reducing the taxable amount of your distribution.
- The amount of the charitable contribution is not added to the taxpayer's adjusted gross income –Maximum amount that can be excluded is \$100,000 per IRA owner per year.¹

QCDs on your tax return

- QCDs are not automatically excluded – you must inform your tax preparer that you have conducted a qualifying transfer.
- These transfers are reported on Form 1040.

Other important information

- IRAs, inherited IRAs, and inactive SEP and SIMPLE IRAs are all eligible for QCDs.
- A qualified charity for a QCD is a 501(c)(3) organization that is eligible to receive tax-deductible contributions. Donor-advised funds and private foundations are not qualifying charities.
- Distributions from a 401(k) or 403(b) are not eligible.
- Please seek advice from your CPA or tax specialist before implementing this strategy.

Source: ¹U.S. Department of the Treasury. Internal Revenue Service (2017). Publication 590-B Distributions from Individual Retirement Arrangements (IRAs). Retrieved from <https://www.irs.gov/publications/p590b>.

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