



Many of our clients are concerned about the tax consequences of their IRAs once they reach 70½ 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 income 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.

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>.

DISCLOSURES:

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