

Qualified Charitable Distributions: The Alternative to the Traditional RMD

If you are age 70 ½ or older, you know all about the IRS mandated Required Minimum Distribution, or RMD. With the Protecting Americans from Tax Hikes (PATH) Act of 2015, the Qualified Charitable Distribution (QCD) became a permanent part of the IRS Code and an alternative to the traditional RMD.

A QCD is a direct transfer from an IRA account to a qualified charity. The amount donated can be counted towards satisfying an RMD and is excluded from taxable income for the donor. With the increased standard deduction, many donors no longer itemize donations. By making a QCD, donors can reap tax benefits by reducing their taxable income, while still claiming the standard deduction.

The Rules:

- You must be at least 70 ½ years old at the time you request the QCD.
- The QCD funds must come out of your IRA by the RMD deadline of December 31.
- Checks must be made payable to the charity directly from your IRA custodian. They can be mailed to you to forward, but you cannot take possession of the funds themselves.
- The maximum annual distribution amount that can qualify for QCD is \$100,000. If you file taxes jointly, both you and your spouse can make a \$100,000 QCD from your own IRAs.
- Account types that are eligible for QCDs: Traditional IRAs, Inherited IRAs, SEP IRA (inactive only), SIMPLE IRA (inactive only)
- Under certain conditions, QCDs may be made from Roth IRAs, however they are not subject to RMDs during your lifetime and distributions are generally tax-free anyway.
- Certain charities are not eligible to receive QCDs, including donor-advised funds, private foundations, and supporting organizations. You cannot receive any benefit in return for the donation. For example, if your donation covers the cost of playing in a charity golf tournament or attending an annual gala, your gift would not qualify as a QCD.

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