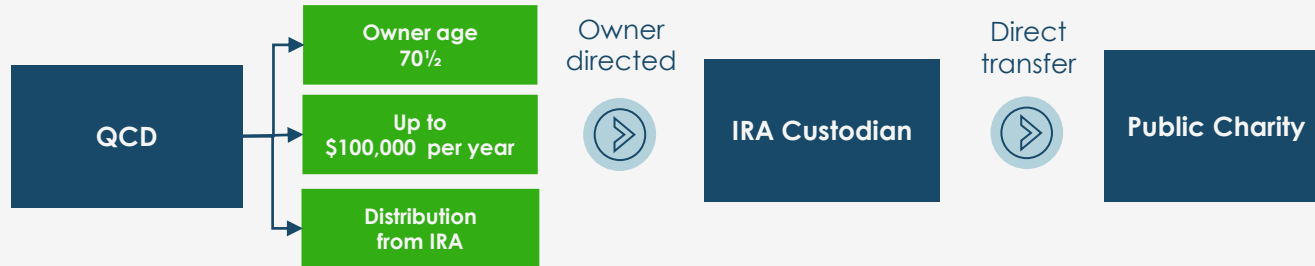


Age 70½: Qualified Charitable Distributions (QCDs)

What is a Qualified Charitable Distribution?

- Individuals age 70½ and older may transfer up to \$100,000 per year from their IRA* to a qualified charity without recognizing the distribution as taxable income
- IRA owners age 72 and older may utilize this strategy to satisfy annual Required Minimum Distributions (RMDs)



*Plans that qualify for QCDs: Traditional IRAs, inherited IRAs, inactive SEP and inactive Simple Plans

Action Steps: How to make a QCD?

- A QCD must be made between institutions; the IRA owner notifies their IRA custodian who then issues a check in the specified amount payable to your selected charity (or charities)
- Individuals may distribute/transfer up to \$100,000 from the IRA to charity per year; if the distribution is to count towards the IRA owner's RMD, this transfer must be made before the December 31 RMD deadline
- Careful: Some charitable entities do not qualify as charitable organizations under this strategy including donor advised funds, private foundations and supporting organizations

Why make a QCD?

- As of age 72, IRA owners must begin to take annual RMDs which could increase income and taxes
- A QCD can satisfy the RMD requirement while helping a charity and lowering taxes
- A QCD is not a tax deduction but rather an exclusion from your gross income; this reduces your Adjusted Gross Income (AGI) and may thus lower your tax burden (see below illustration; focus here on federal taxes only, pre state taxes and FICA)

	QCD	Charitable Contribution
Other Income	\$ 300,000	\$ 300,000
IRA Distributions*	\$ -	\$ 50,000
AGI	\$ 300,000	\$ 350,000
Less: Deductions		
Standard Deduction	\$ (25,900)	\$ -
Itemized Deductions:		
State and Local Tax Limit	\$ -	\$ (10,000)
Charitable Contributions	\$ -	\$ (50,000)
Total Deductions	\$ (25,900)	\$ (60,000)
Taxable Income	\$ 274,100	\$ 290,000
Federal Taxes Due	\$ 52,152	\$ 56,400

*The \$50,000 QCD satisfies the RMD requirement but does not count as income

>\$4,000 / >7% tax saving

Supporting Information

Last Reviewed 10/17/2022

Key Sources Internal Revenue Code Sections 62, 63, 170, 408, 1411; Notices 2007-7, 2007-5;
SECURE Act Pub.L. No. 116-94

Further Reading

- [IRS Publication 590-B, Distributions from Individual Retirement Arrangements \(IRAs\)](#)
- [IRS Retirement Plans- IRA FAQs-Distributions \(Withdrawals\)](#)

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