

QUALIFIED CHARITABLE DISTRIBUTIONS (QCD)

WHAT IS A QCD?

Giving from a traditional IRA plan directly to a charity of your choice.

WHO CAN USE A QCD?

Anyone who meets the following criteria:

- Has a traditional IRA
- Is over the age of 70 1/2 (a Required Minimum Distribution (RMD) is not required to make a QCD)
- Makes charitable donations

WHY USE A QCD?

- May save you money in taxes

EXAMPLE (Assumptions)

- Taxpayer (TP) and/or spouse is over 70 1/2, has an IRA and a Required Minimum Distribution (RMD), both are over 65
- TP and spouse give money to church every year
- TP estimates 2024 Adjusted Gross Income (AGI) to be \$90,000
- TP will not be able to itemize in 2024 (Standard Deduction is \$32,300)
- In 2024 TP wants to give \$9,000 to church
- Fiduciary of IRA has calculated 2024 RMD to be \$15,000

SCENARIO 1-TP Did Not Use QCD

- RMD of \$15,000 deposited to TP bank account
- TP writes check to church for \$9,000
- Adjusted Gross Income (AGI) is \$90,000
- Taxable Income after Standard Deduction is \$57,700 (\$90,000-\$32,300)
- Federal Income Tax for 2024 is \$6,460

SCENARIO 2-TP Did Use QCD

- Fiduciary of IRA sends \$9,000 to church (or to TP to give to church)
- Fiduciary then pays the \$6,000 balance of the RMD to the TP
- AGI is reduced to \$81,000 (\$90,000 less QCD of \$9,000)
- Taxable Income after Standard Deduction is \$48,700 (\$81,000-\$32,300)
- Federal Income Tax for 2024 is \$5,380

SAVINGS BY USING A QCD

- Savings were \$1,080 by using QCD (\$6,460-\$5,380)
- Savings from QCDs increase as Taxable Income increases! And decreases as taxable income decreases.

WHAT DO I HAVE TO DO TO MAKE A QCD?

- Contact the Fiduciary of your IRA. Contact should be made well before an RMD will be made. Fiduciary's website may have QCD form online. Provide instructions of the amounts and charities to which you want the money to go.
- Be sure to request that your name and destination of gift (Operations, Building Fund, etc.) is on the check or documentation that comes with check.
- Will have to repeat process every year.
- Some Fiduciaries will mail QCD check to you, made payable to charity. If so you simply give QCD check to charity.
- The 1099R may show the full amount of RMD as taxable even though you made a QCD. Be sure to tell your tax preparer about QCD so taxable amount is reduced by QCD amount.
- The QCD will show up on your charity's Year-end giving statement as a deductible gift. Therefore, if you itemize you need to reduce the charity's gift total by the QCD amount. (No double dipping.)
- Your tax preparer will handle all of this as it is routine as long as they know about the QCD.
- Do not need to have an RMD to make a QCD, only be 70½.
- A QCD can be greater than the amount of the RMD. A QCD in 2024 cannot exceed the amount in the IRA or \$105,000, whichever is less.