

Donating IRA distributions to charity

An easy tax-free way to make a difference

What is a qualified charitable distribution (QCD)?

A special opportunity to be generous exists for people over the age of 70½ who have a traditional IRA. People who fit this description can make charitable distributions from their traditional IRAs directly to their charity of choice. This is considered a qualified charitable distribution, otherwise known as a QCD. By making a QCD from your traditional IRA, you can avoid reporting the distribution as income on your taxes. This lowers your overall income to be taxed.

Caution: To qualify as a QCD, you must be exactly 70½ or older at the time you take the distribution. For example, if your birthday is Jan. 1, 1950, you would not be able to make a QCD until July 1, 2020, or later.

What is a qualified charitable organization?

It's an organization that has been granted tax-exempt status by the Internal Revenue Service and is eligible to receive tax-deductible charitable

contributions. Examples include your local church, church agencies, and other nonprofit organizations. Caution: Private foundations and donor advised funds are not considered charities for purposes of a QCD.

Is there a dollar limit?

Individuals may give up to the maximum amount of \$100,000 each year. Married individuals filing a joint tax return could each qualify for an income exclusion up to \$100,000, and then could give away \$200,000 jointly.

What types of IRAs can I withdraw from?

Distributions can be taken from:

- *Traditional and Roth IRAs*
- *Inherited IRAs*, if you, the beneficiary, are 70½ or older.
- *SIMPLE IRAs and SEP IRAs*, if your employer does not contribute to the plan for that plan year. In other words, if your employer contributed to your SIMPLE or SEP IRA this year, you would not be eligible for a QCD this year. However, you could transfer money from your SIMPLE IRA or SEP IRA into a traditional IRA. Then you

could take the QCD from that IRA.

Caution: With a SIMPLE IRA, you are permitted to transfer dollars to a traditional IRA only after you have the SIMPLE for two years.

QCDs cannot be taken directly from your employer retirement plan account. So distributions from a 401(k) and 403(b) plan can't be used.

However, like the SIMPLE and SEP IRAs, you could roll over money from your employer's retirement plan account into a traditional IRA. Then you could take the QCD from that IRA.

Can a QCD count as my Required Minimum Distribution (RMD)?

Yes. You can direct the entire RMD to be transferred to a qualified charity and it will count toward meeting your RMD for that tax year.



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Impact Traditional IRA contributions may have on QCD.

Beginning in tax year 2020, persons age 70½ and older are allowed to contribute to a Traditional IRA and deduct those contributions from your taxes if you are eligible. However, if you make deductible contributions in or after the year you reach age 70½, those contributions will impact the amount you can claim as a QCD in future years.

For example, assume you contribute \$7,000 for tax years 2020 - 2023 for a total contribution of \$28,000. In 2025 you decide to make a QCD of \$30,000. Of the \$30,000 given to a charity, you can count \$2,000 as a QCD (\$30,000 - \$28,000). The remaining \$28,000 will be included as income but can be claimed as a charitable deduction if you are able to itemize deductions on your tax return.

Please see your tax professional for more information.

What must I do to make sure my QCD is excluded from income?

1. The distribution check must be from your IRA custodian/trustee and made payable to the charity.

However, you can ask the trustee to send the check to you if you want to deliver the check to the charity yourself.

2. If Everence is the IRA custodian, we will notify the charity that the QCD is coming from you.
3. Though you are not allowed to count the QCD as a charitable contribution if you itemize deductions, the charity must issue you a receipt acknowledging that they have received the gift and that you have not received any benefit in return for the gift.
4. You must report the QCD on your tax return.

How do I report the QCD on my tax return?

Even though the QCD amount is not taxable to you, the IRS still requires the IRA custodian to issue a Form 1099R to you as if it was taxable.

You must report the distribution on the "IRA, pensions and annuities" line. For more information, please read the Form 1040 instructions or talk to your tax professional.

Are there any other benefits of the QCD?

Yes, lowering your income can help in other areas, since it can affect the impact of other tax credits and deductions, as well as Social Security and Medicare benefits. If you are concerned about no longer being able to itemize deductions without this charitable contribution, remember that you can still claim the standard deduction.

Act today!

For more information, contact your Everence Foundation representative. You can also call us toll free at 800-348-7468.

We'll show you exactly how making a bequest of an IRA to charity can work for you.

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