

What is a QCD?

Did you know that if you are at least 72 you can make tax-free charitable donations from your IRA? By making a Qualified Charitable Distribution or QCD you can benefit your favorite charity while excluding up to \$100,000 from gross income. These gifts are also sometimes known as charitable IRA rollovers which would otherwise be a taxable distribution.^[1]

How does a QCD work?

To make a QCD, instruct your IRA trustee to make a distribution directly from the IRA to a qualified charity. The distribution must be one that would otherwise be taxable to you. You can exclude up to \$100,000 of QCDs from your gross income each year. If you are married and file a joint return (and your spouse is over 70 ½) your spouse can also contribute up to \$100,000 of QCDs. You do not, however, get a charitable contribution for federal income tax purposes - that would be double counting the distribution - excluding it from income and deducting it as charity.^[2]



Example: Imagine that your [required minimum distribution \(RMD\)](#) for 2023 is \$25,000. [Per IRS rules](#), you must take \$25,000 from your IRA by December 31, 2023. You decide to give \$15,000 from your IRA as a QCD to your favorite qualifying charity. The remaining distribution = \$25,000 - \$15,000 = \$10,000 would be received by you but taxable on your 2023 tax return which you file in April 2024.

Why would I consider making a qualified charitable distribution?

If you are charitably minded but must take an RMD, a QCD can satisfy that charitable inclination and potentially reduce your tax burden. In addition, the higher standard deduction we've had since the 2017 Tax Cuts & Jobs Act makes itemizing and receiving a true charitable deduction harder. This can streamline the charitable donation process and potentially benefit your tax situation.

Can I name a charity as beneficiary of my IRA? An individual CAN name a charity as a beneficiary but there are pros and cons to this. First, the charity will not have to pay any income tax on your IRA proceeds, unlike if you left it to a spouse or a child, for instance. This makes leaving IRAs to charity a potentially tax-efficient solution. Second, the disadvantage is if you leave your IRA to charity your loved ones are obviously not going to benefit from the funds you have saved within the IRA. You can also name the charity, and other individuals as co-beneficiaries to get around some of this disadvantage.

The legal and tax issues discussed above are complex; be sure to consult your Tax Advisor for further details.

^[1] Parker Tax Library ¶ 134,560. Qualified Charitable Distributions (c) 2011-2023 Parker Tax Publishing.

^[2] "Charitable Contributions from IRA" Broadridge Investor Communication Solutions, Inc. Copyright 2023.



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