



Qualified Charitable Distributions: Savvy Charitable Gifts

With the passage of the Tax Cuts and Jobs Act of 2017, the use of Qualified Charitable Distributions [QCD] from your Individual Retirement Account [IRA] remains a tax-savvy option for making charitable gifts and, for many people, is now an even more appealing choice. Making QCDs can lower your taxable income and reduce the tax due on withdrawals from your IRA, all while benefiting your favorite charity.

A QCD is a direct gift from your IRA to a qualified charity. Once you reach the age of 70.5 and begin the Required Minimum Distributions [RMD] from your IRA, you can use QCDs for your charitable planning. A gift made through a QCD counts toward your annual RMD. [Your RMD is taxed as ordinary income.] Reducing your RMD total by the QCD amount lowers your adjusted gross income and taxable income and, therefore, your income tax due. A QCD also provides an opportunity to leverage your charitable gift: you deposited the money into the IRA without paying taxes, the money grew tax-deferred for the time it was in the account, and the money is received by the charity as a tax-free gift.

Qualified charitable distribution rules include:

- You must be 70.5 years old or older to be eligible to make a QCD.
- For the 2024 tax year, you are limited to \$105,000 of QCDs each year. Your spouse can also make a \$105,000 QCD, but the funds must come from his/her IRA.
- You can make an QCD from many types of IRAs: Traditional, Rollover, Inherited, SEP [Inactive plans], and SIMPLE [Inactive plans]. You cannot make a QCD from your 401[k].
- To be eligible for QCD benefits, the funds must go to a 501[c][3] organization. [Private foundation and donor advised funds are not eligible.]
- You cannot receive any benefit from your QCD, e.g., playing a golf tournament, seating at a table. The distribution check from the IRA must be payable to the charity in order to qualify as a QCD.

"Giving from your IRA not only saves you taxes, you help save the lives of women and children Rise supports. It's a win-win."

– Tara LaRose

Since an QCD from your retirement account is not included in your taxable income, you are not able to deduct the gift as a charitable contribution in your itemized deductions. For the 2024 tax year, the standard deduction for singles increased to \$14,600 and for those married filing jointly to \$29,200. Given this change, itemizing deductions will no longer be the optimal tax solution for many filers, and in turn, those who elect the standard deduction will not receive a tax benefit from charitable contributions. Individuals in this scenario will receive the maximum benefit from QCDs.

Depending upon your level of income, using a QCD to lower your taxable income can have far-reaching effects by reducing the amount of your Social Security payments subject to taxation, increasing your eligible medical expense deduction on Schedule A, or lowering your Medicare premiums.

Does a qualified charitable distribution make sense for me?

- If you claim the standard deduction, you can still fully benefit from the charitable gift, even though you do not itemize deductions.
- If your charitable contributions exceed the 60% of adjusted gross income [AGI] limitations on charitable contributions, you can still fully benefit from the charitable gift.
- If you don't have appreciated securities in a taxable account to give, using a QCD will offer the most "bang for your tax buck."

Mapping out your goals for charitable giving and creating a plan for making those donations creates the opportunity to maximize the impact of your charitable gifts for the charity and for yourself!