



Tax-Efficient Giving Through Qualified Charitable Distributions

Major tax reform enacted in December 2017, the Tax Cuts and Jobs Act, made one particular charitable giving strategy more beneficial and relevant for many taxpayers. This strategy is often referred to as the charitable IRA rollover, but its technical name is the qualified charitable distribution (QCD).

What is a QCD?

A QCD is a method of donating directly from an IRA to an organization eligible to receive tax-deductible contributions. If implemented and reported properly, a QCD may be nontaxable and will count toward the IRA owner's annual required minimum distribution (RMD).

What are the benefits of a QCD?

When reported properly, a QCD is a nontaxable distribution from an IRA. Instead of reporting the IRA distribution as taxable and then deducting charitable contributions on Schedule A, a QCD is simply reported as nontaxable on the federal tax return. Since the standard deduction is now \$14,600 for single taxpayers and \$29,200 for married couples filing a joint return*, fewer taxpayers are filing Schedule A. Because Schedule A is the form on which charitable contributions are tax deductible, fewer taxpayers are receiving a tax deduction for their charitable donations. If executed and reported properly, a QCD can allow taxpayers to essentially obtain a federal tax deduction on their charitable contributions regardless of whether they file Schedule A.

Because a QCD is not considered income, there may be other benefits. For example, a QCD may allow some higher income individuals to reduce their Medicare Part B & D premiums. Alternatively, other individuals may reduce the amount of their Social Security benefits subject to federal income tax by using a QCD.

How does a QCD work?

The IRA owner instructs the trustee of the IRA (i.e., the financial institution holding the IRA) to issue payment as a QCD directly to the charitable organization. This is very important, as QCD tax benefits are unavailable if the distribution is payable to the IRA owner! The IRA owner must maintain appropriate acknowledgement of the contribution just as if a personal check had been written to the organization.

At the time of this writing, Form 1099-R (which is sent to the taxpayer for tax return preparation) lumps in a QCD with all other distributions from that IRA for the calendar year. There is currently no specific code on Form 1099-R indicating how much of the distribution is a QCD, so it is very important to inform the tax return preparer of the QCD details to help ensure proper reporting for tax benefits.

What are the requirements for a QCD?

1. The IRA owner must reach age 70 ½ before the distribution is made.
2. The QCD amount is limited to the amount that would otherwise be included in income.
3. The maximum exclusion is limited to \$105,000 (in 2024) per individual per calendar year. (Each spouse in a married couple can exclude up to \$105,000 per year.)

In summary, a QCD can be a very tax-efficient method of making charitable donations. If you are interested in exploring how you might take advantage of this giving strategy, we would love to have a conversation. To learn more about how United Capital Financial Advisors can help you plan for the future, please [contact us](#).

**Deductions for the 2024 tax year. Source: IRS*

This commentary contained herein is intended for informational purposes only and should not be construed as tax, legal or investment advice. Past performance is not indicative of future results. Clients should obtain their own tax, legal or investment advice based on their circumstances. The material is based on sources deemed reliable but is not guaranteed.