Don Akridge Presents

Qualified Charitable Distributions

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When you reach age 70½, they can be a new way of giving. As the owner of a traditional IRA, you are likely aware that you are obligated to make required minimum distributions (RMDs) once you reach age 70½. However, you may not have been aware that the RMD can be taken in the form of a qualified charitable distribution, where a qualified charity receives all or part of your RMD, satisfying your obligation and offering a potential tax advantage. (Withdrawals from traditional IRAs are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty.)[1]

Keep in mind, this article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax or legal professionals before modifying your charitable giving strategy.

There are a few rules, naturally. First, you can only make a qualified charitable contribution after you reach age 70½. So, if your 70th birthday takes place January 17, you're not going to be able to make the qualified charitable distribution until July 17, six months later.[1]

There is a cap of $100,000 of qualified charitable distribution per individual; you can donate more, if you want, but the overage may not have any tax benefits.[1]

To qualify, the charity must be a qualified 501(c)3 organization. You must also make your distribution check payable directly to the charity in question, as opposed to a director or another individual in the organization. Were you to do that (write a check to an affiliated individual who would then use those funds to write another check directly to the organization) that would be a taxable distribution.[1]

Would you be able to split your qualified charitable contribution in half, giving half or part to the qualified charity and the remainder as a regular RMD? Yes, you can. You would perform them as separate actions, but so long as they add up to the necessary RMD, you should be fine. Consult with a tax or legal professional before making any changes to your strategy.[2]

How do you report it on your taxes? There is a section on Form 1040 for reporting IRA distributions. Regular RMDs are taxable events, but for qualified charitable contributions, you would enter 0 (zero) for the taxable amount (assuming that the full amount qualified) and enter "QCD" next to the line.[2]

If you are interested in supporting a charity, a qualified charitable contribution may be a good option for you to consider. Talk with your tax or financial professional about your options.

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Citations.

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2 - irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals [5/30/18]