

Qualified Charitable Distributions

On December 18, 2015, President Obama signed The Protecting Americans from Tax Hikes Act of 2015 into law which provides important tax relief for filers. One tax relief provision allows IRA holders to make *qualified charitable distributions* in 2015 and going forward.

Qualified charitable distributions are those taxable distributions taken from an **IRA** (other than a SEP or SIMPLE IRA) which is owned by a **70 ½ year-old or older** individual that is **paid directly from the IRA to qualified charity**. These distributions are also eligible from an inherited IRA if the beneficiary is at least 70 ½.

- **Which types of accounts are eligible for qualified charitable distributions?**
 - *IRA (and inherited IRAs)*
 - *Roth IRA*
 - ***NOT Eligible: SEP, SIMPLE IRA***
- **Which tax years are impacted by this qualified charitable distribution provision?**
 - *The provision impacts the tax years beginning 1/1/2015 and going forward.*
- **Can I satisfy my RMD (required minimum distribution) through a qualified charitable distribution?**
 - *Yes, the qualified charitable distribution can satisfy all or part of your RMD.*
 - *Example: If your RMD is \$12,000 for the year, and you make a \$6,000 qualified required minimum distribution, you would have to withdraw an additional \$6,000 to satisfy your RMD.*
- **Is there a limit on the amount I may exclude from my gross income?**
 - *Married individuals may exclude up to \$100,000 donated from each spouse's IRA (\$200,000 total). Amounts excluded from income will be offset by any deductible IRA contributions made after age 70.5*
- **Who should I make the check payable to?**
 - *Qualified charitable distributions must be made payable to the charity. The check can be sent to the IRA holder, but it must be made payable to the charity to qualify for exemption.*
- **How are qualified charitable distributions reported on Form 1099-R?**
 - *The distributions are reported for the calendar year in which the distribution is made.*
- **How do I report the qualified charitable distribution on my income tax return?**
 - *To report the distribution on your Form 1040 tax return, you typically report the full amount of the qualified charitable distribution on the line for IRA distributions.*
 - *On the line for taxable amount, enter zero if the full amount was a qualified charitable distribution and add "QCD" next to the line. See Form 1040 instructions for additional information*
- **You must also file Form 8606 Nondeductible IRAs if:**
 - *You made the qualified charitable distribution from a traditional IRA in which you had basis and received a distribution from the IRA during the same year, other than the qualified charitable distribution.*
 - *The qualified charitable distribution was made from a Roth IRA.*



- **Exempt Organizations Select Check on the IRS website allows you to search for and select an exempt organization, and check information regarding its federal tax status and filings.**
 - Visit <https://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check> for more information

For more information on this tax planning opportunity, please consult your qualified tax advisor.

Sources

- [https://www.irs.gov/Retirement-Plans/Retirement-Plans-FAQs-regarding-IRAs-Distributions-\(Withdrawals\)](https://www.irs.gov/Retirement-Plans/Retirement-Plans-FAQs-regarding-IRAs-Distributions-(Withdrawals))

This information is not intended to be a substitute for specific tax advice. We suggest you discuss your specific tax issues and questions with a qualified tax advisor. Information updated January 2020 with changes from The SECURE Act which was signed into law on December 19, 2020.

