

34th Annual Tax Symposium

PLANNING WITH INTENTION – CHARITABLE GIVING & IRAS

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I. CHARITABLE GIVING FROM IRAS

- A. What is a Qualified Charitable Distribution (QCD)?
 - 1. A QCD allows an individual to transfer funds directly from their IRA to a qualified 501(c)(3) charitable organization.
 - 2. Once individuals reach age 70 ½ or older, IRAs can be used not just for personal income, but also for charitable giving. This is especially important because it offers a tax-efficient way to support nonprofits.
- B. Purpose of the Qualified Charitable Distribution Strategy
 - 1. Reduce taxable income
 - 2. Meet Required Minimum Distributions (RMDs)
 - 3. Make impactful charitable gifts without needing to itemize deductions

II. ELIGIBILITY AND REQUIREMENTS

- A. Age Requirement
 - 1. You must be 70½ years or older on the date of the distribution.
- B. Eligible IRA Types
 - 1. Only Traditional IRAs are fully eligible.
 - 2. SEP and SIMPLE IRAs are eligible only if the plan is inactive (i.e., not currently receiving employer contributions).

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3. Roth IRAs are generally not used for QCDs since distributions are already tax-free and do not count toward RMDs

C. Eligible Charities

1. Must be a 501(c)(3) public charity.
2. Not Eligible:

Donor-Advised Funds (DAFs)

Private Foundations

Supporting Organizations

D. Timing

1. The distribution must be completed by December 31 of the calendar year to count for that year's RMD and tax benefit.
2. Processing delays can cause missed deadlines, so initiate early.

III. TAX BENEFITS OF QCDs

A. Exclusion from Taxable Income

1. Unlike regular IRA withdrawals, a QCD is not included in gross income, which can:
 - a. Lower Adjusted Gross Income (AGI)
 - b. Reduce overall tax liability

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2. Satisfies RMD

- a. If you are 73 or older, a QCD can count toward your Required Minimum Distribution (RMD), satisfying the IRS requirement without increasing taxable income.

3. AGI-Related Advantages

- a. Reducing AGI through a QCD may also:
 - i. Lower Medicare Part B/D premiums
 - ii. Reduce or eliminate tax on Social Security benefits
 - iii. Help maintain eligibility for itemized deductions or tax credits (like the Qualified Business Income deduction or medical expense deduction)

4. Benefit Without Itemizing

- a. QCDs offer a charitable tax benefit even for those who take the standard deduction, making them particularly attractive

IV. HOW TO MAKE A QCD: STEP-BY-STEP PROCESS:

A. Contact IRA Custodian

- 1. Request that the IRA administrator issue a check payable directly to the charity.

B. Provide Information

- 1. Charity's full legal name
- 2. Mailing address

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3. Tax Identification Number (EIN)

4. Desired donation amount

C. Delivery Options

1. Check can be mailed directly to the charity

2. Or mailed to the IRA owner for delivery — as long as the check is payable to the charity, it still qualifies.

D. Obtain a Receipt

a. The charity should send a written acknowledgment confirming:

i. Amount received

ii. No goods or services were provided in exchange

E. Report on Tax Return

a. Use Form 1040, specifically the line for IRA distributions

b. Report full distribution amount, then write “QCD” next to the line and subtract the QCD portion from the taxable amount

V. DOCUMENTATION AND REPORTING

A. IRA Custodian Reporting

1. Form 1099-R will be issued for the full distribution amount.

a. It will not identify the distribution as a QCD — this is the taxpayer’s responsibility.

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B. Taxpayer Reporting

1. Must correctly report the QCD on Form 1040.
2. You must annotate the portion that was a QCD to avoid taxation.

C. Recordkeeping

1. Keep:
 - a. Form 1099-R
 - b. Charity acknowledgment letter (required for all donations \$250 or more)
 - c. Documentation from IRA custodian (e.g., transaction statements)

VI. STRATEGIES AND CONSIDERATIONS

A. Bunching Donations

1. Combine multiple years' worth of giving into one QCD year for greater tax impact — particularly in high-income years.

B. Estate Planning Tool

1. QCDs reduce the IRA balance, lowering future RMDs and potential income taxes for heirs.
2. Helps minimize the "IRA tax bomb" for beneficiaries.

C. Non-Itemizers

1. Since QCDs offer a tax benefit without itemizing, they are ideal for those who take the standard deduction.

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D. Married Couples

1. Each spouse can make QCDs up to the annual limit (\$100,000 per person), potentially donating \$200,000 per couple per year.

VII. COMMON PITFALLS

A. Taking the Distribution Personally

1. If funds go to the donor first, they become taxable — and the distribution does not qualify as a QCD.

B. Giving to Non-Qualified Charities

1. Ensure the charity is a qualified public charity, not a donor-advised fund or private foundation.

C. Missing the Deadline

1. Distributions must be completed by December 31 — not just initiated.

D. Exceeding the Limit

1. Annual limit is \$100,000 per person (adjusted for inflation beginning in 2024).
2. Exceeding this amount negates QCD treatment for the excess.

VIII. IX. RECENT UPDATES OR LEGISLATIVE CHANGES

A. SECURE Act and SECURE 2.0

1. RMD age increased from 70½ to 73 (and to 75 for some in the future), but QCD eligibility remains at 70½.
 - a. This provides a window to give charitably before RMDs are required.

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B. Inflation Adjustment

1. Starting in 2024, the \$100,000 QCD limit is indexed to inflation, allowing for increased gifting over time.

C. New Charitable Remainder Trust (CRT) or Gift Annuity Option

1. A one-time QCD of up to \$50,000 can now be used to fund a Charitable Remainder Trust or Charitable Gift Annuity.
2. The donor can receive income for life, with the remainder going to charity.

IX. CONCLUSION

A. When used appropriately, Qualified Charitable Distributions are a powerful financial tool that allow retirees to:

1. Support charitable causes
2. Reduce taxable income
3. Satisfy RMDs
4. Gain tax advantages even without itemizing