



# Qualified Charitable Distributions



by Glen Goland, JD, CFP®  
Senior Wealth Strategist,  
Senior Investment Advisor

**What are Qualified Charitable Distributions (QCDs) and how could you use them as part of your charitable giving strategy? One of the most tax-efficient methods for giving, QCDs may help extend your philanthropic reach. In this article, Senior Wealth Strategist Glen Goland, JD, CFP, breaks down some of the important rules to understand around using QCDs.**

Taxpayers have a variety of means by which to give to philanthropic organizations, and each of these methods has its own tax rules. Among the most tax-efficient of all giving strategies is the Qualified Charitable Distribution ("QCD"), a gift made from a taxpayer's IRA directly to charity. QCDs are ultra-efficient because the gift is donated directly from the IRA to the benefiting charity. The funds never pass through the taxpayer's hands for income tax purposes, so the AGI (Adjusted Gross Income) limitations around the deductibility of charitable gifts do not apply. These gifts are essentially 100% tax-deductible.



applied to future required distributions. You can give to multiple organizations and there is no minimum QCD amount.

## Employer-sponsored plans

You cannot make a QCD if your employer is still contributing to your account and QCDs are not allowed from 401(k) or 403(b) plans. The IRS does not allow for QCDs from SEP or SIMPLE IRA plans either; however, there are workarounds for these plans that can be effective depend-

ing on the taxpayer's age and whether the accounts are currently receiving contributions.

Here are some ground rules to consider when it comes to using QCDs:

### Age requirement

You must be over 70.5 years old to make qualified charitable distributions. The 2019 SECURE Act moved the date at which required minimum distributions must be taken from IRA accounts to age 72; however QCDs are governed by the Pension Protection Act of 2006, and these provisions were not altered by the SECURE Act.

### Annual limits

The annual limit for QCDs is \$100,000 per taxpayer, or \$200,000 for a married couple. These amounts can exceed required minimum distribution amounts, and excess QCD amounts cannot be carried forward and

### Benefit must accrue to the charity

You cannot receive a benefit for a QCD you make. The QCD is, therefore, not a good tool when raising a paddle for a weekend at a ski house, but can only be used for making direct gifts to the organization(s).

### Usage limitations

You cannot make a QCD to a private foundation or to a donor-advised fund (DAF). The recipient must be a qualifying organization, which you can check here: <https://www.irs.gov/charities-non-profits/tax-exempt-organization-search>

**Qualified Charitable Distributions are becoming a regular part of the lives of our retired clients. Many of them now have a checkbook which they can use to make these gifts from their IRA accounts easily and efficiently. Please contact our team if you have questions on how these distributions may work in your financial plan.**

