

Qualified Charitable Contribution Basics

Review of the QCD Rules

To understand the new SECURE 2.0 provision allowing QCDs to split-interest entities, it is helpful to review the guidelines for QCDs generally, since these rules will still apply. Here are the basics:

1. QCDs are only available to IRA owners or beneficiaries age 70½ and over and is capped at \$100,000 (indexed for inflation) per person, per year. A QCD to a split-interest entity is capped at \$50,000.
2. QCDs are only available from IRAs, Roth IRAs and INACTIVE SEP and SIMPLE IRAs. A QCD cannot be done from any employer plans.
3. Gifts made to *private* grant making foundations or donor-advised funds do not qualify.
4. The funds must be directly transferred from the IRA to the charity.
5. The charitable donation from an IRA can satisfy a required minimum distribution (RMD), but the IRA distribution is not includable in income.
6. No deduction can be taken for the charitable contribution.
7. For a married couple where each spouse has their own IRAs, each spouse can contribute up to \$100,000 (as indexed) from their own IRAs.
8. If more than \$100,000 (as indexed) is withdrawn from the IRA and contributed to a charity, there is no carryover to a future year. The excess is taxable income, and a charitable deduction can be claimed for that excess if the taxpayer itemizes.
9. The contribution to the charity would have had to be entirely deductible if it were not made from an IRA. There can be no benefit back to the taxpayer. (There is a limited exception for the new rule allowing QCDs to split-interest entities.)
10. The distribution from the IRA to a charity can satisfy an outstanding pledge to the charity without causing a prohibited transaction.
11. The charitable substantiation requirements apply. The donor must receive a CWA (contemporaneous written acknowledgment) from the charity.
12. QCDs apply only to taxable amounts. This is an exception to the pro-rata rule. Only taxable amounts in a Roth IRA will qualify.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.

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