

# Qualified Charitable Distribution from IRA Accounts

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## Brain Teaser of the Month:

*How many time zones does China have?*

*Answer on Page 3*

If you're charitably-inclined and over age 70 ½, you might consider donating a portion of your IRA to charity. The portion that's donated will not count as taxable income. This is referred to as a Qualified Charitable Distribution (QCD).

A QCD is a direct transfer of funds from your IRA, payable to a qualified charity. Up to \$100,000\* of your IRA may be given directly to charity on an annual basis, and the distribution would count toward meeting any Required Minimum Distribution (RMD). The QCD strategy can be particularly useful for those tax filers that do not itemized deductions.

A QCD can be made from a Traditional or Inherited IRA, but in all cases the taxpayer must be older than age 70 ½. Note that qualified retirement plans such as 401(k)s and 403(b)s do not allow QCDs. Roth IRAs allow QCDs, although there is no tax benefit as distributions from a Roth IRA are typically tax-free.

## A few important notes:

- **The funds must move directly from your IRA to the charity** (do not move funds to your personal account and write a check).
- **Not all charities are eligible to receive a QCD.** The organization must be a 501(c)(3). Payments to certain entities, such as 509(a)(3) organizations and donor-advised funds, do not qualify.
- **You cannot receive any benefit from making the QCD to charity.** In other words, you can't use the QCD to purchase tickets to an event or receive other benefits.
- **If you are still actively contributing to a SEP IRA or SIMPLE IRA, you cannot make a QCD from that account.** If you are interested in making a QCD but have an ongoing SEP IRA or SIMPLE IRA, please reach out to us to discuss your options.
- **Making a deductible Traditional IRA contribution after age 70½ may result in a reduction in the amount of QCDs that you can exclude from income.**

- **You must inform your CPA that you made a QCD.** You should obtain an acknowledgement (or receipt) of the donation and provide a copy to your CPA. **If you don't alert your CPA, they won't know the size of the contribution or that you made a QCD at all.**

If you have any questions about this strategy, please feel free reach to out to us.



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**Brain Teaser of the Month Answer** – *In China, there is only one official time zone: GMT+8. This means that the time across the country is always 8 hours ahead of GMT (Greenwich Mean Time). This is known as Beijing Time.*

## Disclaimers:

\* Effective for any tax year after 2023, the \$100,000 limit and the \$50,000 one-time aggregate distribution limit will be indexed for inflation.

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## Sources:

- [IRS Publication 590-B, Distributions from Individual Retirement Arrangements](#)
- [IRS.gov - IRA FAQs - Distributions \(Withdrawals\)](#)