



Qualified Charitable Distributions

Eligible individuals can make gifts during their lifetime to qualified charitable organizations from an IRA

Individuals who are age 70½ or older may direct up to \$100,000 of their traditional IRA each year to support charitable causes. Qualified Charitable Distributions (QCDs) can be an attractive strategy for donors because they count towards their required minimum distributions (RMDs). The Arizona Community Foundation can help these individuals and their professional advisors select eligible recipients and understand the benefits of making QCDs.

Things to keep in mind

- ▶ **Benefit Restrictions.** Other than public recognition, an individual cannot receive any benefits for a QCD gift.
- ▶ **Ineligible Recipients.** QCDs cannot be made to donor advised funds, private foundations, supporting organizations, charitable gift annuities, charitable remainder trusts, or charitable lead trusts.
- ▶ **Eligible ACF Fund Types.** The Arizona Community Foundation offers several QCD-eligible fund types including designated, collaborative, scholarship, field of interest, and funds for the common good.

Tax impact

For non-itemizers, a QCD can be preferable to an outright gift because they can lower their taxable income even if they take the standard deduction. The example below illustrates how that could look for a couple who are planning to make a \$15,000 charitable contribution, but whose itemized deductions would not exceed the standard deduction. If they make that charitable gift as a QCD instead of taking their full RMD, they would benefit from a lower taxable income.

	Take Full RMD/No QCD	Take Half RMD/Half QCD
Pre-RMD Income	\$ 100,000	\$ 100,000
RMD	+ \$ 30,000	+ \$ 30,000
QCD	- \$ 0	- \$ 15,000
Total Pre-Tax Income	\$ 130,000	\$ 115,000
Standard & Aged Deduction	- \$ 26,600	- \$ 26,600
Taxable Income	\$ 103,400	\$ 88,400

For those who do itemize, the QCD can also be an attractive tax strategy. Anyone considering a QCD from an eligible IRA should consult with a tax advisor to explore the possibilities.

Impact of the SECURE Act

Effective January 1, 2023, the SECURE Act 2.0 raised the RMD age to 73, although it did not impact the age at which an individual can make QCDs (still age 70½). Individuals may now also make a one time only QCD of up to \$50,000 to create a Charitable Gift Annuity. The SECURE Act 1.0 reduced the lifetime “stretch” provision for beneficiaries to ten years, which still applies.

These changes have caused donors and their professional advisors to reevaluate how best to utilize retirement assets during lifetime as well as the impact on charitable and non-charitable beneficiaries.

How it works

Qualified Charitable Distributions (QCDs) allow individuals over the age of 70½ to give directly to charity from a traditional IRA.

- If an individual wishes to spend down an IRA or does not need the income from their RMD, they can request that their IRA custodian send distributions directly to qualified charities.
- QCDs may be split among multiple qualified nonprofit organizations.
- The RMD may be split—with a portion going to the individual and a portion going to nonprofit organizations.
- Individuals can make QCDs of up to \$100,000 annually from eligible IRAs. Beginning in 2024, the annual limit will be increased annually for inflation. *Married couples, both age 70½ or older with their own eligible IRAs, can make QCDs of up to \$200,000 annually.*
- Nonprofits receiving QCDs should provide an acknowledgement letter referencing that the gift was a QCD from an IRA belonging to the donor.
- Donors should inform their tax preparer of any QCDs and provide copies of the acknowledgement letters in order to ensure the gifts are excluded from their taxable income.

▶ For questions about QCDs, contact our development team at 602.381.1400.