



Qualified Charitable Distributions from IRAs

Can I make tax-free gifts to a charity from my IRA this year? The answer to this question since 2006 has been “yes”, “no”, or “not yet, but check again closer to year-end”. Finally, you can plan on this popular IRA gifting strategy being around for a while thanks to the Protecting Americans from Tax Hikes (PATH) Act of 2015.

Qualified Charitable Donations

QCDs were first made available through the Pension Protection Act as a temporary provision for 2006 and 2007. Since then the popular provision has expired and been reinstated five additional times by Congress. In addition to being called Qualified Charitable Distributions, they are also sometimes referred to as charitable IRA rollovers by charitable organizations receiving the gifts. Qualified Charitable Distributions (QCDs) are:

- Gifts of \$100,000 or less made directly from your IRA to a qualified charity;
- Not included in taxable income on your federal income tax return;
- Available only to individuals aged 70 ½ or older; and
- Counted toward your required minimum distribution for the year.

QCDs cannot be taken from any employer-sponsored retirement plan – that includes 401(k) plans, 403(b) plans, pension plans, SEP or SIMPLE IRAs. Also, if an IRA distribution was excluded from taxable income as a QCD, that amount cannot also be claimed as a charitable deduction.

Not all charities are considered qualified charities for QCDs. Most public charities are qualified, but donor-advised funds, charitable gift annuities, pooled income funds, charitable remainder trusts or charitable lead trusts, and most private foundations are not eligible charities for purposes of taking QCDs. You should contact the charitable organization prior to making a gift from your IRA to ensure they are a qualified charity. Special rules apply for recovering basis if your IRA contains non-deductible or after-tax contributions, so consult with your tax advisor if this applies to you.

If you are over age 70 ½, required to take minimum distributions, you don't need the income to cover your expenses, and want to make a charitable contribution, a QCD may be a strategy to consider. Gifts must be completed by December 31st. ■

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