

Qualified Charitable Distributions

Frequently asked questions and checklist

Using your retirement savings to make a difference

If you have charities you would like to support, pretax money saved in an IRA can be an ideal charitable donation. Rather than passing these assets to a beneficiary — who will likely pay taxes when the inherited IRA is distributed — you can give them to charity by taking a qualified charitable distribution (QCD). A QCD will count toward satisfying your required minimum distribution (RMD), and neither you nor the charity will have to pay income taxes.

Frequently asked questions

What is changing with QCDs under the SECURE Act 2.0 legislation?

The \$100,000 annual limit will be indexed for inflation beginning in 2024. The legislation also immediately allows for a one-time QCD of up to \$50,000 (indexed for inflation beginning in 2024) to be made to certain split-interest entities, including charitable remainder annuity trusts, charitable remainder unitrusts and charitable gift annuities. Guidance is being sought to clarify if the \$50,000 limit is in addition to or part of the \$100,000 limit.

Under SECURE Act 2.0 changes, I don't have to take an RMD until age 73. Can I still make a QCD at age 70½?

Yes. While SECURE Act 2.0 changed the RMD age to 73 for people who turned 72 after 2022, it didn't change the age for QCDs.

Does making deductible IRA contributions affect my eligible QCD amount?

Your QCD must be reduced by any deductible IRA contributions made for the year you turned 70½ or later.

Is a QCD more valuable than a regular charitable deduction?

For some people, a QCD has distinct advantages over a regular charitable contribution:

- A QCD counts toward satisfying your RMD.
- You can take a QCD whether or not you itemize deductions on your tax return. If you use the standard deduction, you would generally receive no tax benefit from a regular charitable contribution.
- A QCD is not included in your adjusted gross income (AGI). This could benefit you because AGI (or a modification of AGI) is used to calculate certain other taxes and benefits.
- The regular charitable contribution deduction is typically limited to no more than 60% of AGI. This AGI limit does not apply to a QCD.

Qualified charitable distributions checklist

Use this checklist to learn more about the tax rules regarding QCDs.

Is the distribution from an IRA?

Only IRAs are eligible for QCDs.¹ If you have money in a 401(k) or other non-IRA plan, the assets must be rolled to an IRA to be eligible for a QCD.²

Are you over age 70½?

You cannot take a QCD until you actually turn 70½.³ This is also true for the current taxpayer of an inherited IRA.

Is the distribution amount \$100,000 or less?

If more than \$100,000 is distributed, the excess does not qualify as a QCD; it will be included in your AGI and possibly subject to income taxes. Beginning in 2024 the \$100,000 limit is indexed and may increase.

Is the check payable directly to the charity?

You cannot take active receipt of the money. If you want to personally mail the check to the charity, request that the check is made out to the charity, but have the check sent to your home so you can forward it to the charity with the necessary documentation.

Is the distribution to a public charity?

Generally, only a distribution made to a qualified 501(c)(3) organization can qualify as a QCD. Distributions to donor-advised funds, supporting organizations, private foundations, charitable remainder trusts, charitable gift annuities and pooled income funds do not qualify. Beginning in 2023, a one-time QCD of up to \$50,000 (indexed for inflation beginning in 2024) may be made to certain split-interest entities, including charitable remainder annuity trusts, charitable remainder unitrusts and charitable gift annuities. Donor Advised Funds are not part of this provision.

Does your tax advisor know you are taking a QCD?

There is no special reporting of a QCD on IRS Form 1099R. Therefore, it's important that your tax advisor is made aware that the distribution is a QCD so it is properly reported on your tax return. The instructions for IRS Form 1040 include information on reporting QCDs.



¹ Ongoing SEP or SIMPLE IRAs are not eligible for qualified charitable distributions.

A plan is ongoing if a contribution is made to it for the taxable year of the qualified charitable distribution.

² RMD amounts are not eligible for IRA rollover.

³ The "year of" standard does not apply.

Clients should take a holistic approach when considering qualified charitable distributions.

Clients should discuss income tax implications and estate/planning objectives with their tax advisor for guidance on their specific situation.

Be sure you understand the potential benefits and risks of an IRA rollover or transfer before implementing. As with any decision that has tax implications, you should consult with your tax adviser prior to implementing an IRA rollover or transfer.

Ameriprise Financial, Inc., and its affiliates do not offer tax or legal advice. Consumers should consult with their tax advisor or attorney regarding their specific situation.

Investment products are not insured by the FDIC, NCUA or any federal agency, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.

Ameriprise Financial Services, LLC. Member FINRA and SIPC.

© 2017 – 2023 Ameriprise Financial, Inc. All rights reserved.



Meet with
your advisor.

Talk to your Ameriprise
financial advisor and
your tax advisor to learn
more about QCDs.