



Qualified Charitable Distributions

WHAT IS A QUALIFIED CHARITABLE DISTRIBUTION (QCD)?

Generally, a QCD is a distribution that is paid directly from an IRA to an organization eligible to receive tax-deductible contributions. This distribution counts toward the IRA owner's required minimum distribution (RMD) when they are age 70 1/2 or older.

WHO IS ELIGIBLE TO MAKE QCDS?

- ✓ Individuals who own IRAs and are age 70 ½ or older are mandated by the IRS to make RMDs from their tax-deferred accounts. Individuals who make annual RMDs are eligible to direct that money toward a qualified charity and therefore make a QCD. You can search through the IRS's list of approved charities on the IRS website: <https://apps.irs.gov/app/eos>
- ✓ A QCD can exceed an individual's RMD amount for the tax year as long as it is not greater than the \$100,000 limit (per person for married couples filing jointly) placed by the IRS. At that point, it would be considered a taxable distribution.

WHY WOULD I CHOOSE TO MAKE A QCD?

With the passage of the Tax Cuts and Jobs Act (TCJA), an increase in the standard deduction came, as well as limits on several large deductions such as property taxes, state income taxes, and mortgage interest. This means that not many individuals will have the opportunity to itemize deductions anymore, effectively taking away the tax benefit of making charitable contributions for many people. QCDs allow individuals in the RMD phase of their life to reduce their taxable income by the amount of the QCD made from their IRA. This strategy of charitable giving allows individuals to continue receiving tax benefits for their philanthropic causes without needing to worry about whether they will itemize their deductions in any particular year.

HOW DO I PROCESS A QCD?

For clients who hold their IRAs at Schwab and Fidelity, it can be as easy as writing a check directly out of their IRA to the charitable organization of their choosing. If a client chooses not to have check writing added to their IRA, an IRA distribution form to have a check made payable to the charity will need to be signed.

AUSTIN

401 Congress Avenue, Suite 1100
Austin, TX 78701

www.mlrm.com

512-275-2700

ROUND ROCK

411 West Main Street, Suite 300
Round Rock, TX 78664