

# The Many Benefits of Qualified Charitable Distributions (QCDs) (aka IRA Rollovers)

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# What is a Qualified Charitable distribution (QCD)

- A tax-free distribution to a “qualified” charity from a traditional IRA
- IRA Owner must be at least age 70½ to qualify for a QCD
- The QCD amount is NOT included in the adjusted gross income of the IRA Owner
- The IRA Owner cannot distribute more than \$100,000 in QCDs in a calendar year
- The IRA Owner does NOT get a charitable deduction since the QCD is not included in income

# Guidelines for QCDs

- Make sure QCD is for a “qualified” charity. Supporting organizations, donor-advised funds and private foundations are excluded.
- Contact your financial advisor or go to the website for your IRA account and download the IRA distribution form. I would seek advise the first time you do this.
- The check **MUST** be made out to the charity but can be sent to the charity or your address to be delivered to the charity.
- **NOTIFY** the charity the check is coming or it may not know who it came from.

# Guidelines Continued

- Can use QCD to pay pledges but not to fund planned gifts such as charitable gift annuities and charitable remainder trusts
- Cannot use. For "quid pro quo" gifts such as tickets for banquets or ballgames
- Works best for Required Minimum Distributions (RMD) where donor diverts RMD to charity to avoid taxation
- For 2020, IRA Owners do not have to take RMD
- QCD is age 70½ or older but under SECURE Act, IRA owners are not required to take RMD until age 72 if they turned 70½ after December 31, 2019.

# IRA Actions by Donor

- Make request for check from IRA custodian. (See sample letter at end of presentation)
- Send charity notice that QCD is coming and what it is for. (see sample at end of presentation)
- Make sure check is in the mail or delivered by December 31 of year of withdrawal
- Make sure charity sends the required tax acknowledgement letter.

# Possible Benefits of QCD Over Cash Gift

- For nonitemizers, a QCD is the best way to give to charity since the donor does not have to take the QCD income
- Once the donor makes his/her first QCD, it becomes a simple way to give
- Using a QCD to reduce RMD could avoid higher taxation on social Security benefits
- For large IRA owners, using a QCD for a major gift can reduce future RMD and allow preservation of capital gain assets which get a step up at death