



A Qualified Charitable Distribution (QCD) is a strategy available to holders of IRAs over the age of 70.5.

It allows for tax-free distribution from the IRA, provided that distribution goes directly to a qualified charity. This is in contrast to all other distributions, which are taxed at ordinary income tax rates.

Eligibility Rules

The taxpayer must be at least age 70.5 at the time of the distribution. The distribution must be from an IRA account.

The charity must be a qualified charity, not a Donor Advised Fund or private foundation.

QCDs cannot exceed \$105,000 per taxpayer, per year.

Per Secure Act 2.0, this figure will be indexed starting in 2024.

How does it work?

Once you reach the eligible age, there are some things to consider before you start making Qualified Charitable Distributions. Here are some of the mechanics.

The funds must be sent directly from the IRA to the charity. A distribution to you that you then send to a charity will not count as a QCD.

We may want to explore getting a dedicated checkbook from your IRA custodian for this purpose. This would allow you to make direct donations from the IRA. Special care must be taken to avoid accidentally writing checks for other purposes from the IRA.

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Why are QCD's better than Itemized Charitable Donations?

Why not just take a taxable distribution, then itemize the donation to charity?

A QCD is advantageous because:

In some cases, it can lower taxable Social Security.

It allows more of one's itemized medical expenses to be deducted.

It lowers the income used to calculate Medicare Part B and D premiums.

QCDs count toward your required minimum distributions.

It lowers one's Modified Adjusted Gross Income, which impacts eligibility for a number of credits and impacts the Net Investment Income Tax.

The standard deduction is high enough that even with charitable contributions, not all taxpayers will claim itemized deductions.

Our Projections for 2024

Your tax bill could be lower by

\$2,200

Our projections suggest that your 2024 overall tax bill could be \$2,200 lower by donating via QCD vs. Taking a taxable IRA distribution and taking an itemized charitable deduction for the same amount. This calculation assumes \$10,000 in QCDs during 2024.

	Taxable Distribution	QCD
Total Income Before Deductions	\$146,750	\$136,750
Adjusted Gross Income	\$146,750	\$136,750
Taxable Income	\$114,450	\$104,450
Income Tax	\$15,145	\$12,945