

QCD from an IRA

Making charitable contributions directly from an **Individual Retirement Account (IRA)** offers several unique benefits, particularly for individuals 70½ years of age or older. This is often done through a **Qualified Charitable Distribution (QCD)**. Here's why you might consider giving from an IRA:

Avoid Paying Income Tax on IRA Withdrawals

- **QCDs are not counted as taxable income.** Normally, withdrawals from a traditional IRA are subject to ordinary income tax, but with a QCD, the amount donated directly to a qualified charity does not increase your taxable income.
- This is particularly beneficial if you don't need the funds and want to avoid increasing your adjusted gross income (AGI).

Satisfy Your Required Minimum Distribution (RMD)

IRA owners aged 72 and older are required to take an annual **RMD** (a certain percentage of their IRA balance). A QCD allows you to satisfy part or all of your RMD with a charitable gift, effectively **lowering your taxable income** while supporting a cause you care about.

Lower Your Taxable Income

Since a QCD doesn't count as taxable income, it could potentially **lower your AGI**. A lower AGI may reduce the impact of:

- Taxation on Social Security benefits.
- Medicare premiums (which increase with AGI).
- Other tax breaks or credits that are phased out at higher AGIs.

No Need to Itemize

Normally, charitable deductions require you to **itemize your tax deductions**. But a QCD counts toward your charitable giving, even if you **take the standard deduction**. This makes it easier to claim the benefit without the added complexity of itemizing.

Maximize Your Charitable Giving Potential

QCDs are limited to \$108,000 per year (per individual for 2025), so you can make substantial contributions if you have a sizable IRA balance, **helping you maximize charitable impact.**

If you're married, both you and your spouse can each contribute up to \$108,000 from separate IRAs, potentially totaling \$216,000 in charitable gifts.

Simpler Than Donating Stock or Cash

Donating directly from an IRA is a relatively **straightforward process**. You don't need to worry about transferring stock or handling paperwork for cash donations.

Avoid State Income Taxes in Some States

In certain states, **IRA withdrawals are taxable at the state level**. A QCD can also potentially help you avoid those state taxes while benefiting a charity.

No Impact on Charitable Deduction Limits

The QCD counts as a charitable contribution but **does not count toward the usual percentage limits** for charitable deductions (which can be limited based on your AGI). Since you're not claiming the QCD as a deduction on your taxes, there is no limit on how much you can donate via this method.

Who is Eligible for a QCD?

- **IRA owners aged 70½ or older** can make QCDs.
- Contributions must be made directly from the IRA to a **qualified charitable organization**.
- Donor-advised funds and supporting organizations are **not eligible** for QCDs.

A Simple Example:

Let's say you're 72 years old, and your RMD is \$15,000. Instead of taking the \$15,000 in cash and paying income tax on it, you could donate the entire \$15,000 directly from your IRA to a qualifying charity via a QCD. This donation satisfies your RMD requirement but **doesn't increase your taxable income**.