

QUALIFIED CHARITABLE DISTRIBUTION (QCD) FACT SHEET

A **Qualified Charitable Distribution (QCD)** is a direct transfer of funds from your IRA (Individual Retirement Account) custodian, payable to a qualified charity. QCDs can be counted toward satisfying your required minimum distributions (RMDs) for the year, as long as certain rules are met. If you are over 72 your IRA administrator should advise you that you are required to take minimum distributions from your IRA's.

Using your RMD as a charitable contribution will exclude that amount from your adjusted-gross income (AGI) for the year, which means that in addition to reducing your income taxes, it also can decrease the amount of Social Security that is subject to tax and potentially lower your Medicare premiums. (You may be able to take a QCD from a Roth IRA, but there is no tax advantage.)

Why should I make a QCD from an IRA instead of donating from my regular cash flow?

Answer these questions first and you might get tax advantaged savings if yes:

1. Am I 72 years old (or 70 ½ if you were born before 7/1/49)?
2. Do I need or want to take money out of IRA's?
3. Do I wish to make charitable donations to qualified charitable organizations?

Because the IRS requires withdrawals from IRA's due to age, you may be able to withdraw funds and not be subject to ordinary income on your return by using a QCD. Here are specific QCD rules that should be considered.

- Most IRAs are eligible for QCDs—Traditional, Rollover, Inherited, SEP and SIMPLE
- You must be 70½ or older to be eligible to make a QCD. (Tax law states that RMDs may be postponed until 72 years of age; **however**, the benefits from making a QCD are still available to those who attained the age of 70 ½, that is, born before 7/1/49).
- QCDs are limited to the amount that would otherwise be taxed as ordinary income. This excludes non-deductible contributions.
- The maximum annual amount that can qualify for a QCD is \$100,000. This applies to the sum of QCDs made to one or more charities in a calendar year. (If, however, you file taxes jointly, your spouse can also make a QCD from his or her own IRA within the same tax year for up to \$100,000.)
- For a QCD to count towards your current year's RMD, the funds must come out of your IRA by your RMD deadline, generally December 31.
- Should St Theresa be considered for your QCD, please have your IRA administrator send payment to 455 N Benton St, Palatine IL 60067. Also, have the administrator identify the purpose you intend to support (such as weekly donation, Christmas, tuition assistance, etc. or split among several). The Parish Federal Employer ID (FEIN) is 36-2171140.

A word of caution - funds distributed directly to you, the IRA owner, which you then give to a charity do not qualify as a QCD. **The distribution will be taxed as ordinary income first to you under this circumstance.**

A QCD **can only be made from IRAs**. Money in employer-sponsored retirement plans such as 401(k)s and 403(b)s is not eligible for QCDs. Under certain circumstances, a QCD may be made from a Roth IRA. Roth's are not subject to RMDs during your lifetime, and distributions are generally tax-free. Consult a tax advisor to determine if making a QCD from a Roth is appropriate for your situation.

Donors cannot receive any benefit for making a qualified distribution to a charity. So, for example, you can't use a QCD to purchase something at a charity auction or tickets to an event.

What kind of charities qualify?

The charity must be a 501(c)(3) organization, eligible to receive tax-deductible contributions.

Tax reporting

A QCD is reported as a normal distribution on IRS Form 1099-R for any non-Inherited IRAs. For Inherited IRAs or Inherited Roth IRAs, the QCD will be reported as a death distribution. Itemization is not required to make a QCD. While the QCD amount is not taxed, you may not then claim the distribution as a charitable tax deduction.

Be sure to inform your tax preparer that you knowingly made a QCD. Your IRA custodian will send you a 1099 showing that the distribution occurred, but the amount may not be clearly identified as a QCD. Be sure the QCD is correctly listed on your tax return or you'll lose the tax break. To **report** a qualified charitable distribution on your Form 1040 tax return, you generally **report** the full amount of the charitable distribution on the line for IRA distributions. On the line for the taxable amount, enter zero if the full amount was a qualified charitable distribution. Enter "**QCD**" next to this line.

A QCD is not subject to withholding. State tax rules may vary, so for guidance, consult a tax advisor.

When making a QCD, you must receive the same type of acknowledgement of the donation that you would need to claim a deduction for a charitable contribution. St. Theresa Parish provides that acknowledgement.

As with all tax related matters, you should consult your financial advisor and tax preparer when making this distribution.