FACT SHEET

Qualified Charitable Distributions

When planning your IRA withdrawal strategy, you might wish to consider making charitable contributions through a Qualified Charitable Distribution (QCD).

A QCD is a direct transfer of funds from your IRA custodian, payable to a qualified charity. Qualified Charitable Distributions may help lower your adjusted gross income, which may help lower Medicare premiums, save taxes on Social Security benefits and limit exposure to reduced itemized deductions. This means that rather than paying tax on the money, it goes directly to KSU. You need not be rich to do this and many think this is only for the wealthy. However, it can provide an element in the tax strategy of many.

While many IRAs are eligible for QCDs, there are requirements:

- You must be 70½ or older to be eligible to make a QCD
- QCDs are limited to 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).

Recent Legislation makes QCDs even more favorable for charitable giving. The SECURE Act (Setting Every Community Up for Retirement Enhancement Act), effective January 1, 2020, changes rules on funding retirement savings

Previously, most retirees were required to take a Required Minimum Distribution (RMD) from their retirement accounts at age 70½. The new beginning date for RMDs is age 72.

It is important to note that the SECURE Act does not change the age at which you can make a Qualified Charitable Distribution (QCD) from your IRA, which remains at age 70½ and allows you the ability to transfer any amount up to $100,000 per year directly from your IRA to a qualified non-profit, tax-free.

Prior to the SECURE Act, beneficiaries of inherited IRAs could take distributions throughout their lives. The SECURE Act preserved this option for beneficiaries who are spouses, but repeals it for non-spousal IRA beneficiaries. Most IRA beneficiaries will now have to distribute their entire inherited retirement account within 10 years of the year of death of the owner.

If you are at least 72 years old and have not yet taken your required minimum distribution, your gift can satisfy all or part of that requirement of any amount, up to $100,000 per year.

Benefits of making a Qualified Charitable Distribution from your IRA include:

- You can make a difference today, allowing you to see your impact.
- The gift does not count as income, so you benefit whether you itemize your taxes or not.
- There is opportunity to leverage your most highly taxed assets. When IRAs are passed to loved ones, distributions from these accounts are subject to income taxes at the beneficiary's ordinary income tax rate, which can be as high as 37%. Rather than leaving these heavily taxed assets to family, consider giving from these accounts now and letting the value of other assets grow and eventually pass to loved ones.

Traditional IRAs require you to take a minimum distribution once you reach age 72. Because you did not pay federal income tax when you contributed the money to your account, you need to pay tax when you withdraw it. However, after age 70½ you can avoid the tax on a distribution made directly from your IRA to a charity.

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