



WERNER FINANCIAL  
CUSTOMIZED INVESTMENT SOLUTIONS

# QUALIFIED CHARITABLE DISTRIBUTION (QCDs)



## What is a QCD?

Qualified Charitable Distributions (QCDs) are a tax-efficient strategy for individuals aged 70½ and older to donate funds directly from their IRAs to eligible charities. By making a QCD, individuals can contribute to charitable causes while potentially reducing their taxable income. Additionally, a QCD can be utilized to satisfy all or part of an individual's required minimum distributions (RMDs) once they reach the age for RMDs. This offers an additional benefit by fulfilling charitable intentions while fulfilling the mandatory distribution requirements.

### What are the rules?

To be eligible for a QCD, you must be 70 ½ years or older.

QCDs are restricted to the sum that would otherwise be subject to ordinary income tax, with the exception of nondeductible contributions.

You can make a Qualified Charitable Distribution (QCD) of up to \$100,000 per year to one or more charities. This amount is indexed starting in 2024. If you file taxes jointly, your spouse can also make a QCD from their 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, usually December 31st.

If you make deductible contributions to your IRA after turning 70 1/2, your ability to deduct QCD amount may be reduced. This means that the portion of the QCD amount not included in your gross income may decrease.

## Important Facts About QDCs

- QCDs can only be done from an IRA.
- The distribution must be directly transferred to a qualified charity.
- QCDs cannot be used with Donor Advised Funds (DAFs) or private foundations. Under current federal law, Donor Advised Funds and private foundations are not considered qualified charities for QCDs. Although they may be classified as 501(c)(3) charitable organizations for other donations, they are excluded from QCD eligibility.
- QCDs are only eligible for outright donations. They cannot be utilized for benefits such as tickets to sporting events, dinner events, or other services.
- The receiving charity must be a 501(c)(3) organization eligible to receive tax-deductible contributions.
- Any amount donated above your Required Minimum Distribution (RMD) does not count towards paying for a future year's RMD.
- QCDs are not tax-deductible. While they are recorded on your tax return, the amounts are not considered taxable income.

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