

A DOZEN QCD FACTS

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Qualified charitable distributions (QCDs) continue to gain popularity, and with that popularity comes more questions. Here are a dozen QCD facts that will keep you on the straight-and-narrow with your QCD transactions:

- 1.** QCDs are capped at \$100,000 per person per year, and they only apply to IRA owners (which includes inherited IRAs) if the IRA owner or inherited IRA owner is age 70½ or older. Note: you must actually be 70 ½, not just turning 70 ½ later in the year.
- 2.** They can be done from IRAs, Roth IRAs and INACTIVE SEP and SIMPLE IRAs. (“Inactive” means no dollars went into the SEP or SIMPLE for the year.) QCDs cannot be done with distributions from employer plans like a 401(k).
- 3.** QCDs must be a direct transfer to charity - NOT gifts made to private grant making foundations, donor advised funds or charitable gift annuities. (That’s right – no QCDs to DAFs.)
- 4.** No split interest gifts of any type will qualify (meaning no part of the QCD can benefit the IRA owner personally).
- 5.** The charitable donation from an IRA can satisfy a required minimum distribution (RMD), but the IRA distribution is not includable in income.
- 6.** No deduction can be taken for the charitable contribution – that would be double dipping.
- 7.** For a married couple where each spouse has their own IRA, each spouse can

contribute up to \$100,000 from their own IRA.

8. If more than \$100,000 is withdrawn from the IRA and contributed to a charity, there is no carryover to a future year. The excess is taxable income. (However, a charitable deduction for the overage could be claimed if the taxpayer itemizes.)

9. There can be no benefit back to the taxpayer. No coffee mugs or tote bags or...and this was a real question...no quid pro quo to offer the grandchildren a private school scholarship.

10. The distribution from the IRA to a charity can satisfy an outstanding pledge to the charity without causing a prohibited transaction.

11. The charity must be a valid charity – no “Human Fund” donations allowed. (See: Seinfeld, Season 9, Episode 10, “The Strike.”)

12. QCDs apply only to taxable amounts. This is an exception to the pro-rata rule. Only taxable amounts in a Roth IRA will qualify...so don't bother doing QCDs from a Roth IRA unless you want to have a potential administrative mess on your hands.

And a bonus QCD fact: There is no code on a 1099-R that indicates a QCD.

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