

4 QCD RULES THAT MAY SURPRISE YOU

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A qualified charitable distribution (QCD) is a way for you to move funds out of your IRA to a qualifying charity income-tax free. If you are thinking this might be a good strategy for you, here are 4 QCD rules that may surprise you.

1. You must be age 70½ or older.

IRA owners who are age 70½ and over are eligible to do a QCD. *Sounds easy, right?* This is more complicated than it might sound. A QCD is only allowed if the distribution is made on or after the date the you actually attain age 70½. It is not enough that you will attain that age later in the year.

QCDs are not limited to IRA owners. If you are an IRA beneficiary, you may also do a QCD. All the same rules apply, including the requirement that you must be age 70½ or older at the time the QCD is done.

2. Not all retirement accounts funds are available for QCDs

You may take a QCD from your traditional IRAs or your Roth IRA. QCDs are also permitted from SEP and SIMPLE IRAs that are not ongoing. A SEP and SIMPLE plan is ongoing if an employer contribution is made for the plan year ending with or within the calendar year in which the charitable contributions would be made. You may not take a QCDs from your employer plan.

QCDs apply only to taxable amounts. You may not transfer your basis (nondeductible IRA contributions or after-tax rollover funds) to charity as a QCD.

QCDs are an exception to the pro-rata rule which usually applies to IRA distributions.

3. There is an annual limit.

QCDs are capped at \$100,000 per person, per year. If you are married, you and your spouse can each contribute up to \$100,000 from your own IRAs.

If you withdraw more than \$100,000 from your IRA to contribute to a charity, you may not carry over the excess to a future year. You can do a QCD with the first \$100,000 of the distribution and the remaining amount will be treated as a taxable distribution. You can take a charitable deduction for the amount over \$100,000, if you itemize deductions and otherwise qualify for the deduction.

4. A QCD must be done as a direct transfer.

If you want to do a QCD, you must make a direct IRA transfer from the IRA to the charity. You should instruct the IRA custodian to make the distribution check payable to the charity of your choice. If a check that is payable to a charity is sent to you for delivery to the charity, it will be treated as a direct payment. Be careful! If you receive a check payable to you from your IRA and then later give those funds to charity, that is not considered a QCD.

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