

Practical Ideas for Giving Faithfully

A Qualified Charitable Distribution Has Benefits for You and Nonprofit Organizations

The Required Minimum Distribution (RMD) is the minimum amount that an owner of a traditional Individual Retirement Account (IRA) who is 72 years of age or older must withdraw or distribute from a retirement account for the year.

If you do not need all or part of your required minimum distribution funds for living expenses, it may make sense to avoid paying taxes on your RMD by donating all or part of it directly to one or more 501(c)(3) charitable organizations like Immanuel Church-on-the-Hill. The qualified charitable distribution (QCD) can satisfy your required minimum distribution for the year.

IRA owners who are 70½ and older can make a charitable rollover gift from their IRA to nonprofit organizations and pay no tax on the gift.

Know the Rules of a Qualified Charitable Distribution (QCD)

- Traditional IRA accounts are eligible for qualified charitable distributions. For questions about whether your tax-deferred account is eligible, be sure to **consult with your financial or tax advisor**.
- For the qualified charitable distribution to count towards your RMD, the funds must come out of your account by the end of the calendar year, **December 31**.
- Funds must be **transferred directly** from the financial institution that manages your IRA to a qualified charity like Immanuel Church-on-the-Hill. The financial firm must issue the check from your IRA payable directly to Immanuel or another nonprofit organization. If the check is made payable to you, the distribution would **not** qualify as a qualified charitable distribution and would be treated as taxable income.
- If you wish, you can divide up all or part of the required minimum distribution among multiple charitable organizations.
- You **cannot** take a tax deduction for the donated amount from a qualified charitable donation, but that amount is not a taxable distribution to the IRA owner. If you receive the funds, they would be taxable as ordinary income.
- The maximum total annual distribution amount that can qualify as a qualified charitable distribution is \$100,000.

Remember these important points:

The tax-free transfer will not count if you withdraw the money from your IRA first and then you contribute it to charity. In this situation, the IRA withdrawal would be considered taxable income.

Be sure to consult with your financial, tax and/or legal advisors before taking any action to ensure you're making the right decision for you.

Donating Your Required Minimum Distribution

Frequently Asked Questions

What is a required minimum distribution?

A required minimum distribution, also known as an RMD, is the minimum amount by law that the owner of a traditional IRA (individual retirement account) must withdraw from his or her traditional IRA in a year once the individual is age 72 years of age or older. The required minimum distribution amount is calculated based on specific federal tax rules.

What is a qualified charitable distribution?

Generally, a qualified charitable distribution (QCD) is a distribution from a traditional IRA owned by an individual who is age 72 or older that is paid directly from the IRA to a qualified charity. IRA owners who are 70½ can make a charitable rollover gift from their IRA to nonprofit organizations and pay no tax on the gift.

Can a qualified charitable distribution satisfy my required minimum distribution from an IRA?

Yes. Your qualified charitable distributions can satisfy all or part of the amount of your required minimum distribution from your IRA.

Can I transfer funds from my IRA to another financial account of mine and then write a check to charity?

No. Doing this would eliminate the tax-free treatment of the contribution and would cause the amount distributed to be included in your taxable income. The Qualified Minimum Distribution must be paid directly from the financial firm managing the IRA to the charity and not to the IRA account holder.

Can I take a tax deduction for the amount given through a qualified charitable distribution?

No, you cannot take a tax deduction for the amount given via a qualified charitable donation, but remember, that amount is not a taxable distribution to the IRA owner.

Can I make a qualified charitable distribution to a Donor Advised Fund or Life Income Gift?

No.

As a reminder, before taking any action, be sure to consult with your financial, tax and/or legal advisors to ensure you're making the right decision for your situation.