



# pro-advice

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## QUALIFIED CHARITABLE CONTRIBUTIONS FROM IRAs

As another year closes, many of us are inundated with phone calls from organizations requesting charitable gifts. Some of the more relentless callers are seeking as little as \$10 and are willing to call after 8 p.m. and on Sundays to get it!

For years, charitable contributions were deductible on schedule A of federal tax returns. However, with the passage of the Tax Cuts and Jobs Act of 2017, many taxpayers no longer benefit from itemizing. For some, there is still another option with significant tax benefits to consider – Qualified Charitable Distributions (QCDs).

To be eligible to make QCDs, you must be at least 70 ½ and have an IRA (not SEP or SIMPLE). The IRS will allow you to exclude from gross income up to \$100,000 in QCDs made to qualifying charities each year. If your spouse also qualifies and you file jointly, that's \$200,000 per year of potential exclusions from income!

What's the difference between QCDs and normal distributions? For starters, QCDs must be made directly from the IRA trustee to the charitable organization. Your IRA trustee can mail you a check made payable to your chosen charity if you want to personally deliver your

gift. Another difference is how the distributions are reported on your federal tax return.

For example, let's assume that your required minimum distribution for 2022—which you're required to take no later than December 31—is \$25,000. You receive a \$5,000 cash distribution from your IRA in June and write a personal check to Charity A for the same amount in July. In December, you receive a \$20,000 check from your IRA trustee made payable to Charity B, which you personally deliver. On your taxes, you would report the \$5,000 June distribution as income and be eligible for a \$5,000 charitable deduction for the personal check you wrote to Charity A. The \$20,000 distribution to Charity B in December does not qualify as a charitable deduction, but you get to exclude it from your taxable income.

For some, QCDs have distinct advantages over regular charitable contributions. If you're 70 ½, have an IRA, and have charities you would like to support, ask your tax professional how QCDs might work for you.

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*QCDs must be donated to a 501(c)(3) organization eligible to receive tax-deductible contributions. Some charities do not qualify for QCDs, including supporting organizations and donor advised funds.*