What you need to know about qualified charitable distributions

Qualified charitable distributions (QCDs) are a unique tax strategy that allow individuals who are at least age 70½ and have Traditional and/or Inherited IRAs to distribute up to $100,000 per year directly from their IRA to a 501(c)(3) nonprofit with no federal income tax consequences. Gifts made to grant-making foundations, donor-advised funds, or charitable gift annuities are excluded from these rules.

Key considerations

- QCDs may satisfy all or part of your Required Minimum Distribution (RMD) or exceed it.
- If you are considering a QCD strategy, please know that if you have already taken your RMD, that amount cannot be rolled back into your IRA with the idea to then have the distribution made payable to a charity. This is because the IRS considers the first dollars out of your IRA as your RMD and you cannot rollover an RMD.
- However, if you still wish to take advantage of the QCD strategy, you can request a distribution, up to $100,000, from your IRA made payable to a qualifying nonprofit without any additional tax consequences.
- QCDs are IRA distributions that would otherwise be taxable; therefore, Roth IRA distributions may or may not qualify. If the IRA contains after-tax basis, the QCD is considered to come from the taxable portion first.
- QCDs are not included in your Adjusted Gross Income (AGI), so using this strategy can lower your income and may possibly decrease the tax you pay on your Social Security income. This may also have a positive effect on your taxes with regard to deductions, exemptions, and tax credits. Check with your tax advisor to determine how lowering your AGI may benefit you.
- Although you cannot take a charitable deduction for a QCD, reducing your AGI may provide a better tax benefit. If you normally make donations to charities anyway, you may want to consider making those donations from your IRA.
- QCDs are generally not available from SEP or SIMPLE IRAs where contributions are still being made.
- Remember that the financial institution will need to make the check payable directly from your IRA to a qualifying charity to have this strategy work for you. You may want to mail the check to the charity yourself, instead of Wells Fargo Advisors (WFA) mailing it, to ensure that the charity acknowledges the gift is from you.
- IRA holders at WFA with check writing ability can write checks directly to the charity/ies from that IRA. Be sure the checks have cleared by the last working day in December in order for the distribution to count for the current tax year. A good rule of thumb may be to complete your charitable giving by the beginning of December.

- QCDs require no special reporting by your IRA custodian; you will receive an IRS Form 1099-R for the distribution. Please provide this form to your tax advisor during tax preparation time. Any questions should be referred to your tax professional.
- Please note: As a result of the SECURE Act, deductible Traditional IRA contributions made beginning at age 70½ may reduce your QCD amount. Please consult your tax advisor on how it may impact your situation.

Talk to Your Advisors

Contact your financial advisor for help in taking advantage of a QCD to benefit your favorite charity.