

Qualified Charitable Distributions (QCD) **Tax-Free Donations to the Adams County Historical Society**

Qualified Charitable Distributions (QCDs) are Tax-Free distributions from an IRA directly to a charity. This underused IRS benefit has been around since 2006. A QCD can be used to satisfy Required Minimum Distributions (RMDs) and is also a tax-advantaged way to reduce high IRA balances - and support ACHS! The recent increase in standard deductions means many taxpayers are no longer able to deduct charitable contributions from their taxable income. A QCD is not included in income, so unaffected by deduction limitations.

Avoid paying tax and give ACHS a much-appreciated gift – a true win for everyone!

How to Give:

- To initiate a QCD, instruct your IRA custodian to make a check payable to the Adams County Historical Society from your IRA account. This is usually done using their IRA Distribution form. Ask the custodian to mail the check to you, not to the ACHS. You can then present the check personally, thus identifying the donor and providing an address for a receipt. (Checks or wires directly to the ACHS from the custodian are another option, but might not identify the donor for receipt and recordkeeping purposes).
- It is very important that you retain your gift acknowledgement letter from the ACHS – this will be your proof of the Qualified Charitable Donation for the IRS.
- The IRA custodian will issue a normal Form 1099-R at the end of the year which will include the charitable distribution. Entries on your 1040 tax return will indicate what portion of your IRA distributions that year were non-taxable QCDs. See below for further IRS resources on tax reporting or talk to your tax advisor.

The Rules:

- You must be over age 70 ½ as of the date of the distribution request.
- QCDs can only be made from Traditional or Inherited IRAs. They cannot be made from 401(k) or other employer sponsored retirement plans, including active SEP and SIMPLE IRAs. To utilize those funds for a QCD, first roll them over into a Traditional IRA.
- A QCD may be used to satisfy some or all of an annual RMD if the funds leave the account by December 31.
- Both spouses can gift up to \$100,000 each, per year, through QCDs, to as many charities as they wish. Distributions beyond that limit are considered taxable distributions.
- The amount of the QCD is not included in income on the tax return, and therefore cannot be deducted as a charitable contribution on the return.

For more information, check out the links below. The FAQ addresses the QCD rules and reporting. The second link is an IRS publication on distributions where you can read about QCDs in the “Are Distributions Taxable” section, page 13.

<https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals> (for the IRA FAQ); <https://www.irs.gov/pub/irs-pdf/p590b.pdf> (for the IRS Publication on Distributions).

This summary was prepared for the Adams County Historical Society by Ray Mann, CPA, LTD, Reno, NV.