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How to Make a Tax-Free Donation From Your IRA

Follow these 10 rules for qualified charitable distributions.



[Denise Appleby](#) • Mar 20, 2024

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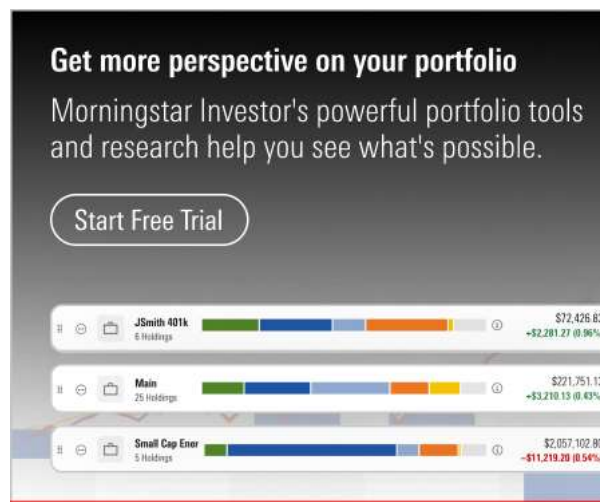
You can make a tax-free donation of up to \$105,000 from your IRA this year using a strategy known as the qualified charitable distribution, or QCD. But this strategy works only if the rules are followed. While the deadline for making a QCD is Dec. 31, planning for it now can ensure that your objectives are met. To that end, the following are some critical rules an IRA distribution must meet to qualify as a QCD.

1. You Must Be at Least Age 70 ½ When the Distribution Is Made

IRS regulations define age 70½ as six months after your 70th birthday. Taking a distribution from your IRA even one day too soon will disqualify the distribution from being a QCD.

2. Ensure the Distributing Account Is Eligible for a Qualified Charitable Distribution

A QCD may be made from an IRA, which includes traditional and Roth IRAs and any beneficiary IRAs. QCDs may also be made from simplified employee pension IRAs and savings incentive match plan for employees IRAs, provided no SEP or Simple contributions were made to the account for the year for which the QCD is made.



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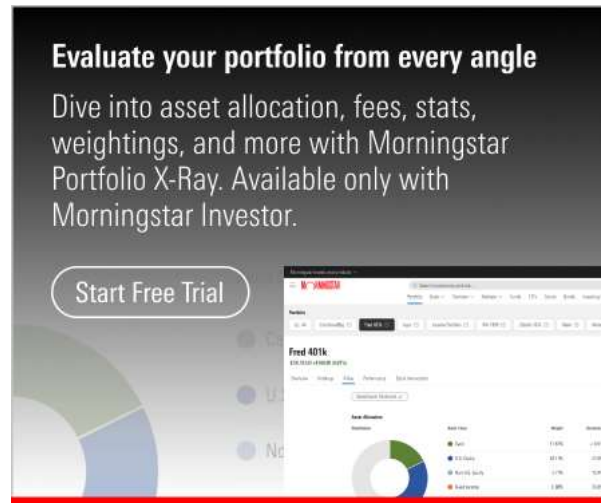
Portfolio	Holdings	Current Value	Change
JSmith 401k	6 Holdings	\$72,426.83	+\$2,281.27 (0.96%)
Main	25 Holdings	\$221,751.13	+\$3,210.13 (0.43%)
Small Cap Emer	5 Holdings	\$2,057,102.80	-\$11,219.29 (0.54%)

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QCDs may not be made from 403(b)s, governmental 457(b)s, 401(k)s, and other employer plans.

Tip: If you want to make a QCD, but the funds are in an employer plan, you may roll over the amount to an IRA and make the QCD from the IRA.

Reminder: If you must take a required minimum distribution from the employer plan, that RMD must be taken before the rollover.



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3. The Maximum Amount Is \$105,000

The maximum amount of a QCD is \$105,000 (indexed for inflation) per person for 2024. Therefore, up to \$210,000 may be made as QCDs for married couples, with no more than \$105,000 from each spouse's IRA.

4. Offset Deductible Traditional IRA Contributions

Secure Act 1.0 removed the age limitation for making contributions to traditional IRAs. As a result, you may make traditional IRA contributions while taking QCDs. If you make deductible traditional IRA contributions for the year you reach age 70½ or later, the nontaxable portion of your QCD is reduced by the deductible balance from these IRA contributions.

Example: Karla, who attained age 70½ in 2021, made the following *deductible* IRA contributions:

- \$5,000 for 2022
- \$5,000 for 2023
- \$0 for 2024


Her total deductible traditional IRA contribution was \$10,000.

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Karla makes a QCD of the following amounts:

- \$6,000 for 2023. While QCDs can usually be excluded from income, this entire amount was included in her 2023 income because it was offset by her \$10,000 deductible traditional IRA contributions. She has \$4,000 of deductible IRA contribution amounts left ($\$10,000$ minus $\$6,000 = \$4,000$) after her 2023 QCD.
- \$6,500 for 2024. \$4,000 is included in Karla's income, and \$2,500 is excluded from her income ($\$6,500$ minus the $\$4,000$ remaining deductible IRA contribution source = $\$2,500$).

5. The Pro Rata Rule Does Not Apply

If you have basis (aftertax amounts) in any traditional IRA, SEP IRA, or Simple IRA, distributions from any of your IRAs will include a prorated amount of pretax and aftertax amounts — unless an exception applies. QCDs are an exception to this pro rata rule. Under this exception, the pretax portion of your IRA is attributed to your QCD before the aftertax amount.

For Roth IRAs, earnings are generally distributed last if your Roth IRA distribution is nonqualified. But with QCDs your earnings are distributed first, making the earnings nontaxable. See [Is Your Roth IRA Distribution Taxable?](#)

Your tax preparer must file IRS Form 8606 to report and track activity that affects your basis in your IRAs.

6. Have the Check Made Payable to an Eligible Charity

A QCD must be made payable to a qualified charitable organization. Talk to your advisor to determine whether an organization is eligible for a QCD.

If you prefer, you can have the check delivered to you, and you can in turn deliver it to the charity. This option is acceptable as long as the check is payable to the charity.

Tip: Some IRA custodians do not include identifying information when sending QCDs to charities. Some include identity information only if the QCD exceeds specific amounts. In those cases, the charity will not know the donor's identity.

If you have your QCD sent directly to the charity by your IRA custodian, ask them to include your name in the memo field or some other identifier to help the charity know that it is from you. If they refuse, have them make the check payable to the charity and mailed to you.

7. No Tax Withholding Applies

When you request a QCD, you are considered to request a distribution with zero withholding tax. As such, if you request a QCD of \$50,000, the amount paid to the charity will be \$50,000.

8. Coordinate With RMDs

If you must take an RMD, for the year, your QCD can be used toward satisfying your RMD. Also, you can still make a QCD after taking your RMD.

Example 1: QCD is RMD.

75-year-old Johnny's RMD for his traditional IRAs for 2024 is \$10,000.

Johnny wants to make a QCD of \$10,000 for 2024.

Johnny wants to have his QCD count as his RMD.

Solution: Johnny must do the QCD before any other distribution from his IRAs because the first distributions made in an RMD year always count toward RMDs.

When Johnny takes the QCD, it also counts as his RMD, resulting in his RMD being excluded from income. Johnny does not need to take any additional distributions.

Example 2: RMD plus QCD.

74-year-old Monica's RMD for her traditional IRAs for 2024 is \$100,000.

Monica uses her annual RMDs to cover her living expenses and wants them deposited into her checking account.

Monica also wants to make a QCD of \$100,000 to her church.

Monica's total distributions for the year will be \$200,000. In this case, the order in which both distributions are made is irrelevant.

If Monica takes her RMD of \$100,000 on Jan. 1, she can still make her QCD of \$100,000.

If she makes her QCD on Jan. 1, it will satisfy her RMD. But while she would not need to take any additional distributions for RMD purposes, she will voluntarily take an additional distribution of \$100,000 to cover her living expenses.

Example 3: RMD is not QCD, and QCD is not RMD.

76-year-old Karen's RMD for her traditional IRAs for 2024 is \$75,000.

Karen took a distribution of \$75,000 from her IRA in January and had it sent to her checking account. Because it is her first distribution for the year, it counts as her RMD.

Karen later tells her financial advisor that she wants to make a QCD of \$75,000 and wants to know if she can roll over the \$75,000 taken in January and have it reissued as a QCD.

The RMD cannot be rolled over. As a result, the \$75,000 will be included in Karen's income.

Karen can still do a QCD if she wants to, but it will not count toward her RMD because her RMD has already been satisfied.

9. Ensure the Amount Clears the IRA by Year-End

A QCD counts for a year only if it clears the IRA by the end of that year. This deadline necessitates submitting a distribution request early enough for the IRA custodian to process it by Dec. 31. IRA owners should consider that many IRA custodians implement internal deadlines before year-end, and requests received after such deadlines are usually processed on a best-effort basis with no guarantees.

Those with check-writing capabilities for their IRAs should ensure that the charity cashes the check in time to clear the IRA custodian's bank and, subsequently, the IRA. If you write a check from your IRA checkbook in 2024 and the charity deposits it to the charity's bank account in 2025, it counts as a QCD for 2025 and not 2024. For more on this topic, please see ["Uncashed IRA Distribution Check? Here's What to Do."](#)

10. Taxpayer Must Report as Nontaxable

IRA custodians must report QCDs as they would a regular IRA distribution. Therefore, if your QCD is made from your traditional IRA, the amount will be reported as taxable (in Box 1a and Box 2a) on [Form 1099-R](#) for distribution. However, Box 2b — "Taxable amount not determined" — must be checked, allowing your tax preparer to report the QCD as a nontaxable distribution on your tax return. This nontaxable reporting on your [tax return](#) is done by:

1. Including the QCD amount on Line 4a: IRA distributions.

2. Excluding the nontaxable amount from Line 4b: Taxable amount. Unless an exception applies, the entire QCD amount would be excluded from Line 4a, thus excluding it from income. But see rule 4 above, "Offset Deductible Traditional IRA Contributions," for examples of when a portion of a QCD is includable in income.
3. Entering "QCD" next to Line 4b.

Start Planning for Your QCDs Now

While you have until the end of the year to make a QCD, it helps to start planning now. This advanced planning is essential if you want your QCD to cover your RMD. Be sure to provide a copy of any 1099-Rs issued for your IRA to your tax preparer, and let them know if any of the distributions reported are a QCD. Your tax preparer should have a record of any deductible traditional IRA contributions made the year you received at age 70½ or later and make adjustments accordingly.

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