

Make a Tax-Free IRA Gift

Qualified Charitable Distribution from IRA (QCD) A qualified charitable distribution (QCD) allows individuals who are 70½ years old or older to donate up to \$100,000 total to one or more charities directly from a taxable IRA instead of taking their required minimum distributions. As a result, donors may avoid being pushed into higher income tax brackets and prevent phaseouts of other tax deductions, though there are some other limitations.

How qualified charitable distributions work:

Understanding qualified charitable distributions begins with understanding required minimum distributions. People who hold Individual Retirement Accounts (IRAs) are required to take RMDs each year beginning at age 72—even if they don't need or want the funds. That same required minimum distribution increases the IRA holder's total taxable income.

This income increase could potentially push the taxpayer into a higher income tax bracket. It can also trigger phaseouts which limit or eliminate some kinds of tax deductions, such as personal exemption and itemized deductions, and sometimes trigger high taxes on Social Security income.

QCDs are also called IRA charitable distributions or IRA charitable rollovers. They enable individuals to fulfill their required minimum distribution by a direct transfer of up to \$100,000 to charity. They can also be used support multiple charities, as long as the sum of the distributions is within the \$100,000 limit. But because QCDs don't increase taxable income, both higher tax rates and phaseouts can be avoided.

In addition, because QCDs reduce the balance of the IRA, they may reduce required minimum distributions in future years. QCDs are also not counted toward the maximum amounts deductible for those who itemize their giving on their taxes—the \$100,000 can be above and beyond those limits. For these reasons, a QCD can potentially enable a donor to give a bigger charitable gift than they could if they just donated cash or other assets.

How QCDs are made: Qualified charitable distributions are made directly to the eligible charity from a traditional IRA, inherited IRA, inactive Simplified Employee Pension (SEP) plan and inactive Savings Incentive Match Plan for Employees (SIMPLE) IRAs. (Inactive SEP and SIMPLE IRAs are accounts that no longer receive employer contributions.)

The money is a direct transfer that never passes through the hands of the IRA holder.

For a QCD to count toward your minimum annual IRA distribution, it must be made by the same deadline as a normal distribution, which is usually Dec. 31st of the tax year in question.

An individual donor can contribute up to \$100,000 per year in QCDs, as long as that individual is 70½ years old or older. For married couples, each spouse can make QCDs up to the \$100,000 limit for a potential total of \$200,000.

The \$100,000 per person limit applies to the sum of all QCDs taken from all IRAs in a year. A donor can make one large contribution or several smaller contributions over the course of the calendar year. Remember that QCDs can be made from any or more than one of the IRA types (traditional, inherited, inactive SEP and inactive SIMPLE IRAs) noted above.

To make a QCD to UCC Medfield, you would instruct your IRA custodian to send a check payable to *The United Church of Christ in Medfield* directly to the UCC Medfield at 496 Main Street, Medfield, MA 02052.