

Qualified charitable distributions

Frequently asked questions and checklist

Using your retirement savings to make a difference

If you have charities you would like to support, pretax money saved in an IRA can be an ideal charitable donation. Rather than passing these assets to a beneficiary — who will likely pay taxes when the inherited IRA is distributed — you can give them to charity by taking a qualified charitable distribution (QCD). A QCD will count toward satisfying your required minimum distribution, and neither you nor the charity will have to pay income taxes.

Frequently asked questions

Can I make a QCD every year?

Yes. If you qualify for a QCD, you can give up to \$100,000 per year from your IRA directly to a charity.

Under the new SECURE Act changes, I don't have to take a required minimum distribution (RMD) until age 72. Can I still make a QCD at age 70½?

Yes. While the SECURE Act changed the RMD age to 72 for people who didn't turn 70½ before the end of 2019, it didn't change the age for QCDs.

Can I still take a QCD for 2020 even though the CARES Act waived my 2020 RMD?

Yes. You can still take a QCD, but it will not offset any future RMD amounts.

Does making deductible IRA contributions affect my eligible QCD amount?

Your QCD must be reduced by any deductible IRA contributions made for the year you turned 70½ or later.

Is a QCD more valuable than a regular charitable deduction?

For some people, a QCD has distinct advantages over a regular charitable contribution:

- A QCD counts toward satisfying your required minimum distribution.
- You can take a QCD whether or not you itemize deductions on your tax return. If you use the standard deduction, you would generally receive no tax benefit from a regular charitable contribution. The CARES Act does provide for a universal charitable deduction of \$300 for 2020 only.
- A QCD is not included in your adjusted gross income (AGI). This could benefit you because AGI (or a modification of AGI) is used to calculate certain other taxes and benefits.
- The regular charitable contribution deduction is typically limited to no more than 50% of AGI. This AGI limit does not apply to a QCD.

Qualified charitable distributions checklist

Use this checklist to learn more about the tax rules regarding QCDs.

Is the distribution from an IRA?

Only IRAs are eligible for QCDs.¹ If you have money in a 401(k) or other non-IRA plan, the assets must be rolled to an IRA to be eligible for a QCD.²

Are you over age 70½?

You cannot take a QCD until you actually turn 70½.³ This is also true for the current taxpayer of an inherited IRA.

Is the distribution amount \$100,000 or less?

If more than \$100,000 is distributed, the excess does not qualify as a QCD; it will be included in your AGI and possibly subject to income taxes.

Is the check payable directly to the charity?

You cannot take active receipt of the money. If you want to personally mail the check to the charity, request that the check is made out to the charity, but have the check sent to your home so you can forward it to the charity with the necessary documentation.

Is the distribution to a public charity?

Only a distribution made to a qualified 501(c)(3) organization can qualify as a QCD. Distributions to donor-advised funds, supporting organizations, private foundations, charitable remainder trusts, charitable gift annuities and pooled income funds do not qualify.

Does your tax advisor know you are taking a QCD?

There is no special process for or reporting of a QCD on IRS Form 1099R. Therefore, it's important that your tax advisor is made aware that the distribution is a QCD so it is properly reported on your tax return. The instructions for IRS Form 1040 include information on reporting QCDs.



Meet with your advisor.

Talk to your Ameriprise financial advisor and your tax advisor to learn more about QCDs.



¹ Ongoing SEP or SIMPLE IRAs are not eligible for qualified charitable distributions.

A plan is ongoing if a contribution is made to it for the taxable year of the qualified charitable distribution.

² RMD amounts are not eligible for IRA rollover.

³ The "year of" standard does not apply.

Clients should take a holistic approach when considering qualified charitable distributions.

Clients should discuss income tax implications and estate/planning objectives with their tax advisor for guidance on their specific situation.

Be sure you understand the potential benefits and risks of an IRA rollover before implementing. As with any decision that has tax implications, you should consult with your tax adviser prior to implementing an IRA rollover.

Ameriprise Financial, Inc., and its affiliates do not offer tax or legal advice. Consumers should consult with their tax advisor or attorney regarding their specific situation.

Ameriprise Financial Services, LLC. Member FINRA and SIPC.

© 2017 – 2020 Ameriprise Financial, Inc. All rights reserved.

112906 H (06/20)