QUALIFIED CHARITABLE DISTRIBUTIONS
(Also referred to as Charitable IRA Rollover Gifts)
(Updated February 2025)

Did you know the gift of a Qualified Charitable Distribution (QCD) benefits donors aged 70 1/2 and up?

The Qualified Charitable Distribution is an excellent way to show your support for St. Philip's Episcopal Church. Consider using your IRA account to make the most of your charitable giving—you receive a tax benefit even if you take the standard deduction!

It's important to consider your tax situation before deciding whether to make a charitable contribution from your IRA. **Be sure to share this gift plan with your tax and financial advisors.**

To qualify

You must be 70 1/2 or older at the time of gift.

Distributions must be made directly from a traditional IRA administrator to St. Philip's Episcopal Church.

Gifts must be outright, meaning they go directly to St. Philip's.

Gifts from 401k, 403b, SEP and other plans do not qualify.

Ask your financial advisor if it would make sense for you to create a traditional IRA account so you can benefit from an IRA Qualified Charitable Distribution.

Tax benefits

IRA Qualified Charitable Distributions are excluded for federal income tax purposes on your IRS Form 1040.

QCD's **are** included in the amount reported on line 4a of Form 1040 but **are not** in the taxable amount reported on line 4b.

The amount of a QCD is limited to the amount of the distribution that would otherwise be included in income. If the distribution is made from an IRA that includes non-deductible contributions, it is first considered to be paid out of otherwise taxable income. The gift counts toward your required minimum distribution for the year in which you made the gift.

You could avoid a higher tax bracket that might otherwise result from adding an RMD to your income. QCD is **not included** in the donor's adjusted gross income, helping potentially to avoid increased taxes on SSI, higher Medicare premiums, and the loss of deductions.

Example

John is 73 years old and wants to make a gift to St. Philip's Episcopal Church for his annual pledge. He has $500,000 in his IRA and wants to gift $20,000. He can authorize the administrator of his IRA to distribute $20,000 to St. Philip's Episcopal Church. Because the IRA Qualified Charitable Distribution is excluded from income, John will not be eligible for a charitable income tax deduction—but he still receives tax savings. The $20,000 distributed to St. Philip's will be counted toward his annual minimum required distribution and he will not pay federal income tax on the portion given to the church.

Questions and Answers

What's the IRS Rule?

The QCD allows individuals 70 1/2 and older to make distributions up to $105,000* per year to 501(c)(3) charities without having to count the distributions as income for federal tax purposes. No charitable deduction may be taken, but distributions will qualify for all or part of the IRA owner's required minimum distributions.

IMPORTANT: Under the SECURE Act of 2019, IRA contributions are no longer prohibited after age 70. If you have earned income and continue to make deductible contributions to your IRA, these contributions in aggregate will affect your future QCD income exclusion. Consult your tax advisor to learn how this might affect you.

Who qualifies?

Individuals 70 1/2 or older at the time of the distribution to the charity (you have to wait until 6 months after your 70th birthday to make the transfer.)

How much can I distribute?

$105,000 per year. The distribution must be outright to charity.

From what accounts can I make transfers?

Distributions must come from your IRAs directly to St. Philip's Episcopal Church. If you wish to fulfill your gift or pledge from another retirement asset such as a 401k, 403b, etc., you must first roll those funds into an IRA. Then you can direct the IRA administrator to distribute the funds from the IRA directly to St. Philip's.

How will St. Philip's count the gift?

We will give you full credit for the entire gift amount. You can request a letter if needed which states that the gift qualifies as a QCD for tax reporting purposes.

What are the tax implications to me?

Federal—You do not recognize the distribution to St. Philip's as income, provided it goes directly from the IRA administrator to us. Therefore, you are not entitled to an income tax charitable deduction for your gift.

State—For taxable years beginning on or after January 1, 2019, the General Assembly adopted the federal income exclusion for QCDs.

Does this transfer qualify as my required minimum distribution?

Yes. Once you reach 73 (increased from 72 under the SECURE Act 2.0 in 2022), you are required to take required minimum distributions from your retirement plans according to a federal formula. QCDs count toward your minimum required distribution for the year in which you make the gift.

Can my spouse also make a Qualified Charitable Distribution?

Yes, every individual who is the owner of a traditional IRA can use the Qualified Charitable Distribution for up to $105,000 each year.

How do I know if a QCD is right for me?

Share this information with your financial advisor.

*Increased from $100,000 in 2024