

Qualified Charitable Deduction

A qualified charitable distribution (QCD) is a distribution from your individual retirement account (IRA) to a qualified charity. You must be age 70½ or older to make a qualified charitable distribution. A qualified charitable distribution is not taxed, nor is it included in your taxable income.

If certain conditions are met, QCDs may also count toward the required minimum distributions (RMDs) that people who are age 73 or older must meet each year if they have traditional IRAs. Also important: You need not itemize on your tax return to take advantage of a QCD.

What is a Qualified Charitable Deduction (QCD)?

Anyone age 70½ or older may opt to take money from their IRA and donate it directly to a qualified charity. QCD's may not be used to create or add to a donor advised fund but may be used to support any other Funds of the York County Community Foundation. Qualified charitable distributions may be made from a traditional IRA or a Roth IRA, but there is no tax benefit to making a QCD from a Roth IRA because distributions are already tax free.



Qualified charitable distributions may help reduce your federal tax bill in two ways.

1. A QCD may lower your taxable income.

While a QCD is a withdrawal from your IRA, it is not counted as taxable income on your tax return like regular withdrawals. Instead, a QCD may be deducted from your gross income on your tax return—without having to itemize your deductions. This both lowers your income and means that you can take the standard deduction instead of itemizing if you prefer.

2. A QCD may reduce your required minimum distribution (RMDs).

Another benefit of taking qualified charitable distributions is that they count toward your annual required minimum distribution (RMD)—the minimum amount that you must withdraw

from many IRAs (except Roth IRAs) each year. RMDs start when you reach age 73 (starting in tax year 2023, as determined by the SECURE 2.0 Act of 2022. Previously, the RMD age was 72.)

The problem with taking RMDs from traditional IRAs (and 401(k)s as well) is that they increase your taxable income. Depending on your situation, they may push you into a higher tax bracket. Using qualified charitable distributions could fulfill all or part of your RMD requirement without increasing your taxable income. The maximum annual amount that you may take as QCDs is \$100,000.

KEY TAKEAWAYS

- A qualified charitable distribution (QCD) is a tax-free donation from your individual retirement account (IRA) directly to a qualified charity.
- A QCD may not be made to a donor advised fund.
- You must be age 70½ or older to make a qualified charitable distribution.
- A qualified charitable distribution is not included in your taxable income.
- You cannot deduct a QCD from your taxes, but the savings on your income may still make this kind of donation attractive.
- A qualified charitable distribution counts toward your required minimum distributions (RMDs).



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