



## Using your IRA for charitable donations

By Elizabeth Sydzyik

If you're charitably-inclined, have an IRA account, and are over the age of 70 ½--or soon will be, you'll want to know about Qualified Charitable Distributions (QCDs). We cover five important questions here:

### What is a QCD?

A Qualified Charitable Distribution allows you to direct up to \$100,000 per year from your IRA to a qualified charity (or charities). Since the passing of the [Secure Act 2.0](#) on December 23rd, the \$100,000 limit will be indexed by inflation beginning in 2023.

### Who qualifies for a QCD?

To be eligible for a QCD, an IRA owner must be at least 70 ½ years of age. QCDs are only allowed out of certain IRA types: traditional, rollover, inherited, inactive SEP-IRA plans, inactive SIMPLE plans.

### What are the benefits?

Typically, when you take money out of a traditional IRA account it becomes taxable income but distributing money out of your IRA as a QCD allows you to avoid the income taxes on these monies. If you are of Required Minimum Distribution (RMD) age, doing a QCD will also [count towards your RMD](#) for the year. It's very important to know that the charity must cash the check before year-end for it to count towards your RMD. Because of this, we recommend requesting a receipt or confirmation of the donation or taking the QCD directly to the charity.

### How does it work?

Since QCDs have gained in popularity, Charles Schwab now makes it easy for a client to process them. There is a simple form that needs to be signed by the client, either physically or electronically, that your P&A Service Advisor can work with you to complete. Once the form is submitted to Schwab, they will issue a check made payable to the charity. This check will either be mailed to the client for delivery to the charity, or directly to the charity if the client provides an address on the form. There is also an option to make recurring distributions on an annual, quarterly, or monthly basis to a charity or charities.

### How are QCDs reported?

Custodians must report QCDs on Form 1099-R as a "Normal Distribution." QCDs will be included in the Gross Distribution amount in Box 1 and will not be separated out from any other distributions taken from the account. In Box 2b, "Taxable Amount Not Determined" will be checked. We recommend you consult with your accountant on how to apply the QCD to your Form 1040.

If you are interested in doing a QCD or would like to discuss further, please contact your Lead or Service Advisor for more information!

*Clicking on the links above may result in you leaving the Pittenger & Anderson, Inc. website. The opinions and ideas expressed on these external websites are those of third-party vendors and Pittenger & Anderson, Inc. has not approved or endorsed any of this third-party content. For the full Terms & Conditions of using the Pittenger & Anderson, Inc. website, [click on this link](#).*

*Pittenger & Anderson, Inc. does not provide tax, legal, or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal, or accounting advice. You should consult your own tax, legal, and accounting advisors before engaging in any transaction. Additionally, the information presented here is not intended to be a recommendation to buy or sell any specific security. To learn more about our firm and investment approach, check out our [Form ADV](#).*

To view this article and others like it online, visit the P&A blog at <https://pittand.com/blog/>.