

What is a Qualified Charitable Distribution (QCD)

The Internal Revenue Service reminds individual retirement arrangement (IRA) owners age 70½ or over that they can transfer up to \$100,000 to charity tax-free each year.

These transfers, known as qualified charitable distributions or QCDs, offer eligible older Americans a great way to easily give to charity before the end of the year. And, for those who are at least 73 years old, QCDs count toward the IRA owner's required minimum distribution (RMD) for the year.

How to set up a QCD

Any IRA owner who wishes to make a QCD for 2023 should contact their IRA trustee soon so the trustee will have time to complete the transaction before the end of the year.

Normally, distributions from a traditional IRA are taxable when received. With a QCD, however, these distributions become tax-free as long as they're paid directly from the IRA to an eligible charitable organization.

QCDs must be made directly by the trustee of the IRA to the charity. An IRA distribution, such as an electronic payment made directly to the IRA owner, does not count as a QCD. Likewise, a check made payable to the IRA owner is not a QCD.

Each year, an IRA owner **age 70½ or over when the distribution is made** can exclude from gross income up to \$100,000 of these QCDs. For a married couple, if both spouses are **age 70½ or over when the distributions are made and both have IRAs**, each spouse can exclude up to \$100,000 for a total of up to \$200,000 per year.

The QCD option is available regardless of whether an eligible IRA owner itemizes deductions on [Schedule A](#). Transferred amounts are not taxable, and no deduction is available for the transfer.

Report correctly

A 2023 QCD must be reported on the 2023 federal income tax return, normally filed during the 2024 tax filing season.

In early 2024, the IRA owner will receive [Form 1099-R](#) from their IRA trustee that shows any IRA distributions made during calendar year 2023, including both regular distributions and QCDs. The total distribution is shown in Box 1 on that form. There is no special code for a QCD.

Like other IRA distributions, QCDs are reported on Line 4 of [Form 1040](#) or [Form 1040-SR](#). If part or all of an IRA distribution is a QCD, enter the total amount of the IRA distribution on Line 4a. This is the amount shown in Box 1 on Form 1099-R.

Then, if the full amount of the distribution is a QCD, enter 0 on Line 4b. If only part of it is a QCD, the remaining taxable portion is normally entered on Line 4b.

Either way, be sure to enter "QCD" next to Line 4b. Further details will be in the instructions to the 2023 Form 1040.

How To Give a QCD to Fountain City UMC

Qualified Charitable Distribution (QCD)

Senior church members please read this to see if you can save money. A QCD allows IRA holders, age 70.5 or older, to donate to a qualified charity from their Traditional or Roth IRA (including inherited) TAX-FREE. This donation amount can be part of your Required Minimum Distribution (RMD), an amount that the IRS requires you to sell from your retirement account every year starting at age 72. This RMD amount is taxed as ordinary income and may put you in a higher tax bracket. The QCD can be subtracted from the RMD to reduce your taxable income.

You can request funds from your financial advisor or broker in charge of your IRA to process your QCD. They often can cut a check directly to the church from your financial institution or another option we recommend is transferring stock shares instead of cash to avoid sales commissions. The church uses Patriot Investments to sell the stock with no commission. If you are interested in this tax savings strategy, here are the steps:

1. Instruct your broker to use funds from your RMD to fund a QCD to FCUMC.
2. Give them the amount to be transferred.
3. Have them contact Patriot Investments, 865-288-2104, to arrange the transfer.
4. The broker also needs to e-mail, ashley.garren@fountaincityumc.org, with the approximate amount and your name. This step is important so Ashley Garren, FCUMC Financial Secretary, can look for the funds and credit you for the contribution.
5. Contact Ashley in the church office and let her know that you have begun the process of stock transfer.

It is important when you give funds thru your financial institution that you ask that your name be associated with your QCD in order for you to receive the contribution credit from the church.

If you have questions please contact Ashley Garren, FCUMC Financial Secretary. ashley.garren@fountaincityumc.org or 865-689-5175.