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### The Definitive Guide to QCDs

Qualified Charitable Distributions (QCDs) have exploded in popularity as the go-to tax break for charitably inclined IRA owners. The basic premise is simple: With a QCD, a distribution from an IRA is payable directly to an eligible charity, and the amount of the QCD is excluded from income.

While the QCD process may seem relatively straightforward, the finer details of QCDs have continued to generate questions and confusion. In response, we created this all-inclusive "Definitive Guide to QCDs."

*Only those ages 70½ and older can do a QCD.* This can be tricky because it does not mean the year in which the IRA owner turns 70½. It does mean actually being 70½ years old to be eligible to do a QCD – *six months after the 70th birthday.* While beneficiaries of inherited IRAs can do QCDs, they also must be age 70½ or older.

*A QCD can be used to offset a required minimum distribution (RMD), but you are not restricted by the amount of the RMD.* The annual QCD limit per person is \$100,000, regardless of the RMD amount.

**Example:** June has an RMD of \$13,000. She can do a QCD (or multiple QCDs) for up to \$100,000 annually. June's husband, Ward, has an IRA with an RMD of \$18,000.

Ward can also do QCDs totaling \$100,000, which gives the couple a \$200,000 combined QCD cap. Their respective RMDs have nothing to do with the annual QCD limit.

However, be aware, June and Ward are *not* allowed to do \$200,000 in QCDs from just one of their IRAs, or any combination where one spouse goes over the \$100,000 threshold.

*QCDs can offset prior-year RMDs if the RMD was missed.* There is nothing in the IRS regulations that says a QCD can only offset the current year's RMD.

**Example:** Felix inherited an IRA from his best friend Oscar when he was 68, but he neglected to take any RMDs from his beneficiary IRA.

Three years later, when Felix was 71, he realized his mistake. Felix took the missed RMDs and the current year's RMD (and filed [Form 5329](#) requesting a waiver of the missed RMD penalty). Since all of the RMDs are taxable to Felix in the year he took them, he can offset all of the RMDs with QCDs up to the \$100,000 annual limit.

*There is no such thing as a "prior-year" QCD.* The deadline for a QCD is December 31. There are no extensions. The custodian must show the IRA account being debited by the last day of the year for the QCD to qualify for that year.

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