

## NEW GIVING OPPORTUNITIES WITH QCDs

Are you maximizing your charitable giving in retirement? A qualified charitable distribution (QCD) is one way to do just that, and since recent legislation has expanded QCDs, now is a good time to take a fresh look at this unique way to give.

### WHAT IS A QCD?

At age 73, individuals must begin taking an annual required minimum distribution (RMD) from their tax-deferred retirement accounts. Required minimum distributions are treated as taxable income to the individual. In 2015, Congress passed the PATH Act, which allows individuals 70 ½ years or older to make a distribution from their retirement account directly to a charitable organization. These distributions, known as qualified charitable distributions (QCDs), are excluded from the donor's taxable income but may count toward their required minimum distributions. Thus, a QCD offers a tax-advantaged way to maximize your charitable giving during retirement while lowering your adjusted gross income and satisfying the required minimum distribution set by the IRS.

### NEW LEGISLATION

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 altered rules regarding retirement accounts, and the [SECURE Act 2.0](#) that was signed into law at the end of 2022 further revised those rules. For example, the threshold age for RMDs was raised to 73 in 2023 and will become 75 in 2033. The new legislation affects QCDs in the following ways:

1. Currently, individuals may distribute up to \$105,000 annually from a traditional IRA to charity as a QCD. Under the new legislation, the maximum distribution amount will increase as it is indexed for inflation.
2. Previously, a QCD had to go directly from the IRA to a qualified charity. Under the new legislation, an individual has a one-time opportunity to use a QCD to fund a Charitable Remainder Trust (CRT) or a Charitable Gift Annuity (CGA). A QCD to establish a CRT or CGA is limited to a maximum of \$53,000 and can be broken into smaller distributions, as long as they are all transferred in the same year. If you're interested in establishing a trust or annuity with a QCD, our charitable giving partner, HighGround Advisors can walk you through the additional rules surrounding this new allowance.

### FREQUENTLY ASKED QUESTIONS

#### How old must you be to make a QCD?

You must be 70 1/2 or older.

#### Are QCDs tax deductible?

No, QCDs are not tax deductible. However, the charitable distribution is excluded from your taxable income.

#### Can you add other assets to a QCD-funded CRT or CGA?

No, you cannot add other assets to a QCD-funded CRT or CGA. Similarly, you cannot contribute a QCD to an existing CRT or CGA.

**What is the maximum amount of a QCD-funded CRT or CGA?**

A husband and wife could both potentially make \$53,000 IRA distributions into the same CRT or CGA, funding the instrument with a total of \$106,000.

**Are QCD-funded annuity payments subject to tax?**

Yes, QCD-funded annuity payments are taxed as ordinary income. This tax treatment is different from that of a CGA funded with other assets, which provides for partially-tax free payments. However, in a QCD-funded annuity, the donor avoids paying tax on the IRA distribution, and the taxable income is spread throughout the life of the donor.

**Who can be the beneficiaries of a QCD-funded CRT or CGA?**

Only the donor and their spouse can be the income beneficiaries of a QCD-funded CRT or CGA. This differs from a traditional CRT or CGA, which can benefit other people.

**Can you make a QCD to a CGA or CRT each year?**

No, under current law, you can only make a QCD to a CGA or CRT once in your lifetime. You can make a charitable distribution of up to \$53,000 to a CRT or CGA in one calendar year. If you distribute less than \$53,000 to a CRT or CGA, the remainder does not carry over to future years.

**Does the \$53,000 distribution to a CGA or CRT count toward your \$105,000 annual limit for QCDs?**

Yes, a \$53,000 QCD to a CGA or CRT counts towards your \$105,000 annual QCD limit. Each year, you can direct up to \$105,000 of IRA distributions to charity. If you elect to direct \$53,000 to a CGA or CRT, you would also be eligible to direct up to \$52,000 from your IRA in an outright charitable gift in the same calendar year.

**Does a QCD to a CGA or CRT count toward the donor's required minimum distribution?**

Yes, the QCD counts towards the donor's required minimum distribution.

If you'd like to learn more about maximizing your charitable giving, we encourage you to call your financial advisor or connect with the team of expert gift planning attorneys at HighGround Advisors. For over 70 years, HighGround Advisors has proudly partnered with Baptist Standard in support of our mission.