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Qualified Charitable Distributions Revealed Q&A

Date: September 26, 2024

Time: 1:00 – 2:00 Eastern

Presenters: Jeff Lydenberg

Kara Morin



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Agenda

- The Origin Story – The Pension Protection Act of 2006/Path Act 2015
- QCD Outright Gifts Basics
- QCD Outright Gift Limitations
- The Reboot – The Secure 2.0 Act of 2022
- QCD Life Income Gift Basics
- QCD Life Income Gift Limitations
- QCD Decision Tree
- Q&A

QCDs Introduced by The Pension Protection Act of 2006 Internal Revenue Code Sec. 408(d)(8)

TITLE XII—PROVISIONS RELATING TO EXEMPT ORGANIZATIONS

Subtitle A—Charitable Giving Incentives

SEC. 1201. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR CHARITABLE PURPOSES.

(a) IN GENERAL.—Subsection (d) of section 408 (relating to individual retirement accounts) is amended by adding at the end the following new paragraph: 26 USC 408.

“(8) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—

QCD Outright Gift - Basics

- Donor must be 70 ½ or older
- Must go directly from the IRA custodian to the charity
- Date of gift is the date the QCD assets leave the donor's account
 - ✓ Donors who can write checks against their IRAs but must clear custodian's account before year-end
- Annual cap started at \$100k, now is indexed for inflation
 - ✓ 2024 QCD limitation is \$105k
- Counts towards a required minimum distribution (RMD), but is not limited to RMD
- **No deduction**, tax benefit is avoiding taxation on the withdrawal

QCD Outright Gift - Limitations

- Traditional IRAs and Roth IRAs only
 - ✓ No 403(b)s or 401(k)s
- Cannot be used to make a gift to a supporting organization *or* a donor advised fund
- No *quid pro quo*
 - ✓ No membership fees
 - ✓ No gala tickets

“(C) CONTRIBUTIONS MUST BE OTHERWISE DEDUCTIBLE.—For purposes of this paragraph, a distribution to an organization described in subparagraph (B)(i) shall be treated as a qualified charitable distribution only if a deduction for the entire distribution would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).



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The Reboot - The SECURE 2.0 Act of 2022

Expands the definition of Qualified Charitable Distributions to include life income gifts IRC Section 408(d)(8)(F)

6 **SEC. 307. ONE-TIME ELECTION FOR QUALIFIED CHARI-**
7 **TABLE DISTRIBUTION TO SPLIT-INTEREST**
8 **ENTITY; INCREASE IN QUALIFIED CHARI-**
9 **TABLE DISTRIBUTION LIMITATION.**

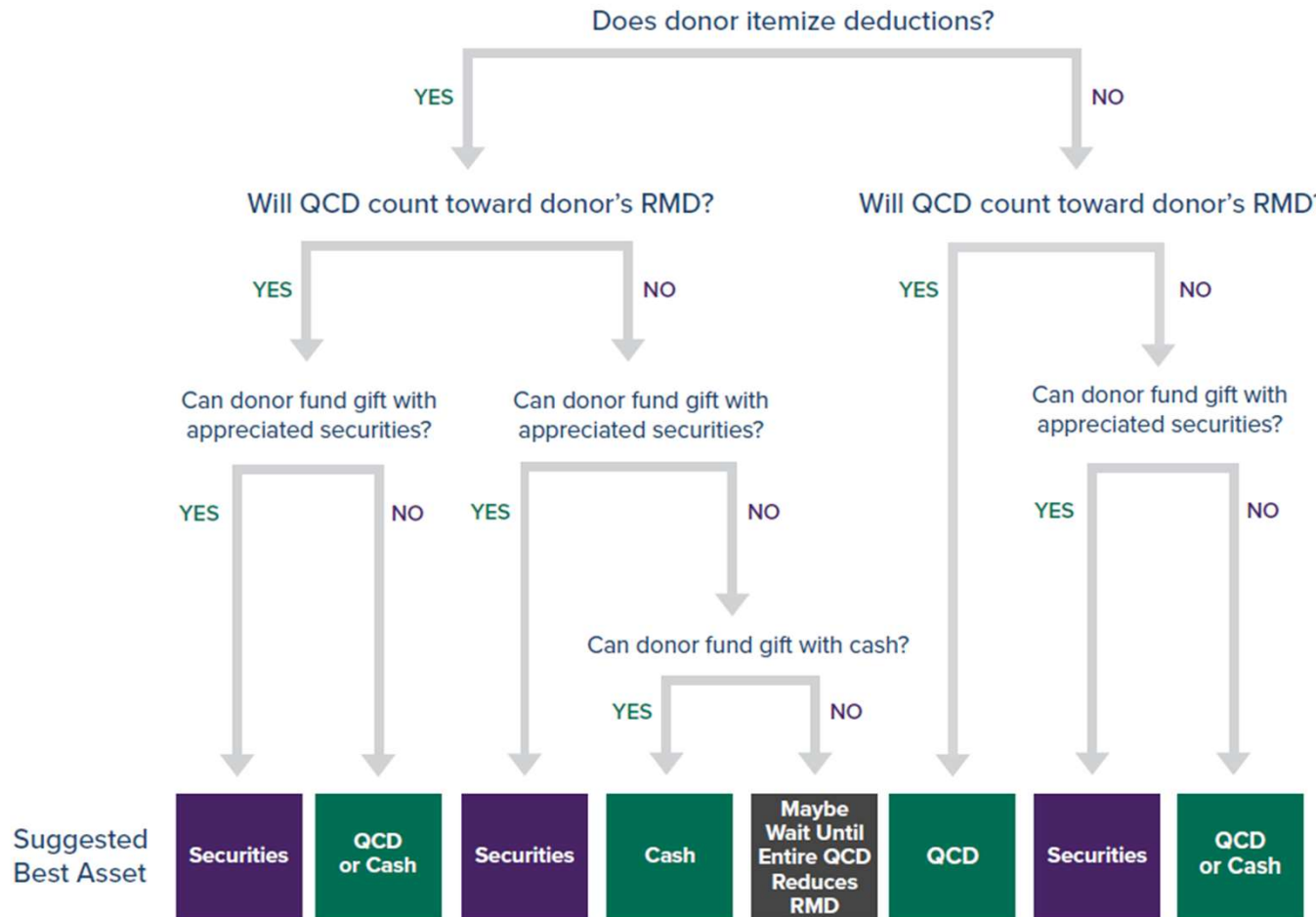
QCD Life Income Gift - Basics

- Donor must be 70 ½ or older
- Must go directly from the IRA Custodian to the charity
- Date of gift is the date the QCD assets leave the donor's account
- Annual cap started at \$50k, now is indexed for inflation
 - ✓ 2024 QCD limitation is \$53k
- ***Allowable in one tax year only***
- Counts towards a required minimum distribution (RMD), but is not limited to RMD
- Can support multiple charities in the same year
- **No deduction**; tax benefit is avoiding taxation on the withdrawal
- Payments are **all ordinary income**
- Immediate CGAs and CRTs only; no DGAs

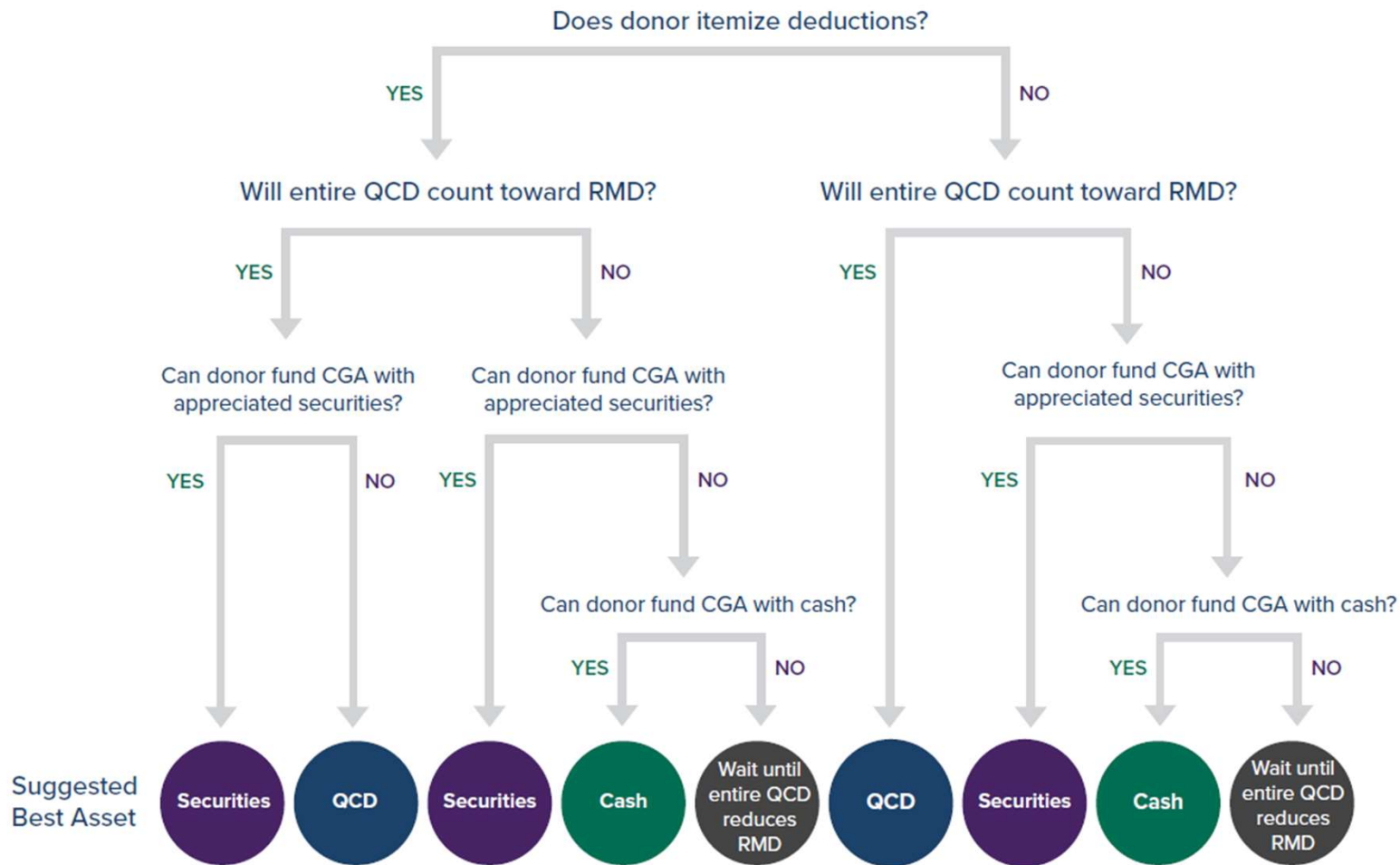
QCD Life Income Gift - Limitations

- Life income beneficiary must be donor and/or donor's spouse
- Payments must be *non-assignable (including to charity)*
- Payout rate must be at least 5%
- QCD CGA must pass the 10% test (even though there is no deduction)
- The QCD must be the only asset given, no combination of funding assets, or trust additions, allowed
- Like the outright QCD, this cannot be used to make a gift to a supporting organization or a donor advised fund
- **Payments to annuitants or trust beneficiaries are all ordinary income**
- **There is no charitable deduction**

Asset Decision Tree — Outright Gift



Asset Decision Tree — Gift Annuity



Questions?



Click the Q&A icon at the bottom of your screen.



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Still Have a Question?

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