


**PG Calc** YOUR PARTNER IN PLANNED GIVING SUCCESS



**Maximize Impact: Unveiling the Power of QCDs**

Date: February 29, 2024  
 Time: 1:00 – 2:00 Eastern  
 Presenter: Jeff Lydenberg  
 Vice President, Consulting

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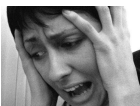
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**PG Calc** YOUR PARTNER IN PLANNED GIVING SUCCESS **Agenda**

Define Terms

1. The Outright QCD
  - Eligibility
  - Limitations
2. QCDs for Split Interest Gifts
  - Eligibility
  - Limitations



2/29/2024 (c) PG Calc 2024 1

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**Part 1:  
Outright Qualified Charitable  
Distributions**

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### Define Terms

- Qualified Charitable Distribution (QCD)
- Also known as a charitable IRA rollover
- Many types of "rollovers" with IRAs
- The term QCD known to financial and legal professionals

2/29/2024 (c) PG Calc 2024 3

3

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### Why Make a QCD Gift?

**Gifts to charity using the Qualified Charitable Distribution**

- A QCD gives the same tax benefit as itemized deductions, even if the donor doesn't itemize (not subject to AGI limits!)
- The QCD reduces the donor's tax by satisfying the donor's required minimum distribution



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4

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### Define Terms

**Individual Retirement Account (IRA)**

- Tax-free contribution
- Tax-free growth
- Taxable on withdrawal
- Self-directed by account owner
- Not sponsored by employer
- Typically, employer-sponsored funds (401(k), 403(b)) rolled into IRA at separation or retirement

2/29/2024 (c) PG Calc 2024 5

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### Define Terms

**Required Minimum Distributions**

- Required Minimum Distribution (RMD) begins at age 73
- Plan owner must withdraw according to an IRS schedule
  - Divide IRA balance by years of life expectancy
- Withdrawals are taxed at ordinary income rates
  - Increased income means increased taxes
- Increases in income can increase Medicare premiums

2/29/2024 (c) PG Calc 2024 6

6

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### Define Terms

**What retirement accounts are eligible for QCD?**

- Individual retirement account (IRA)
- Roth IRA (of limited use)
- Inactive SEP or Simple IRAs

**What retirement accounts not eligible?**

- 401(k)
- 403(b)
- Active SEP and Simple IRAs



2/29/2024 (c) PG Calc 2024 7

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### Eligibility to Make Qualified Charitable Distribution

**Outright gifts to charity using the Qualified Charitable Distribution**

- Donor must be 70½ at the time of the gift
- In year donor turns 70½, must be after birthday
- Can only come from traditional or Roth IRA
- Total outright QCD gifts in any year limited to \$105,000 (2024) per account owner

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### Eligibility to Make Qualified Charitable Distribution

- QCD distribution must go directly from IRA administrator to the charity
  - Every IRA administrator has own forms and procedures
- Check from IRA payable to charity sent by donor OK
  - Check can't come from personal account to qualify
- **Donor not entitled to an income tax charitable deduction**
  - Donor never paid tax on the IRA, so there is no offsetting tax deduction
- QCD reduces RMD dollar for dollar

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### What Can't a QCD Do?

- Can't provide any goods or services in return for the contribution (token, insubstantial items OK)
- No memberships
- No gala tickets
- No auction items



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### Why Is Now a Good Time for QCDs?

**Standard deduction (2024)**

- \$14,600 for single filers
- \$29,200 for married couples filing jointly (\$32,300 if both over 65)
- Itemized deductions (including charitable deductions) will not reduce income tax unless total exceeds applicable standard deduction amount

2/29/2024 (c) PG Calc 2024 11

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### Mechanics of Making a QCD

- Each administrator has specific forms for making a QCD
- Donor can write check on IRA checkbook to charity
- Forms can be cumbersome and confusing
- For gifts over \$10,000 Fidelity requires Medallion Signature Guarantee
  - Medallion Signature Guarantee requires donor to go to a bank, a broker, a dealer, a credit union, a securities exchange or association, a clearing agency, or a savings association
  - Not the same as a notary seal

2/29/2024 (c) PG Calc 2024 12

12

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### Recording and Receiving IRA QCDs

- No deductibility language in acknowledgment
- No goods or services language
- Can be difficult to match QCD and donor
  - Checks may arrive without donor name or information
- Hard credit to donor
- No credit or recognition to IRA administrator



2/29/2024 (c) PG Calc 2024 13

13

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### Reporting a Qualified Charitable Distribution

- Donor will receive a 1099 from IRA administrator
- On Form 1040 (2023 tax year), report total IRA withdrawals on line 4a
- Report the taxable portion on line 4b
  - Taxpayer enters "QCD" next to line 4b
- See latest version of IRS Publication 526 on reporting

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## Part 2: Expansion of the QCD to life income gifts

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### Outright QCDs v. Life Income QCDs

**Things that are the same:**

1. Eligible at 70 ½ or older for those with a traditional IRA
2. Must go directly to charity from IRA
3. No income tax charitable deduction
4. Satisfies RMD

**Things that are different:**

1. Can fund CGA or CRT
2. Limited to \$53,000 (2024)
3. One-time lifetime election

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16

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### QCD Life-Income Gifts

1. Limited to \$53,000 (2024) reduces amount available for outright QCD
2. Only plan owner and spouse can be income beneficiaries
3. Not certain each spouse can fund \$106,000 split-interest gift
4. One-time lifetime election (no carryforward)
5. Can fund charitable gift annuity and/or charitable remainder trust
6. No combination of funding assets, or trust additions, allowed
7. No income tax charitable deduction
8. Date of gift?
  - When asset transferred out of the donor's account
  - Mailbox rule does not apply

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17

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### What Can Your Donors Do?

- Can fund a split-interest gift (part gift-part income)
- Charitable Gift Annuities
  - Deferred annuities/Flexible annuities not permitted
  - Can make CGAs to multiple charities subject to \$53K limit
- Charitable Remainder Trusts (CRUTs and CRATs)
  - \$53,000 limit not economically feasible for CRT
  - QCDs from married couple's separate IRAs may make \$106,000 dollar limit possible

2/29/2024 (c) PG Calc 2024 18

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### All Three Have the Same Benefits

- Tax-free withdrawal that counts towards required minimum distribution (RMD)
- A QCD withdrawal for non-itemizers offers a comparable financial benefit to a charitable deduction
- Takes a lump sum taxed as ordinary income in one year and turns it into a stream of smaller sums taxed as ordinary income over (hopefully) many years
- A CGA turns variable income from the IRA into fixed income
- Can be combined with an outright QCD for greater charitable impact (up to total limit of \$105,000 in 2024)

2/29/2024 (c) PG Calc 2024 19

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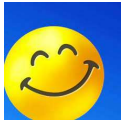
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### CGAs – Some Good News

- Can be used to establish one or more CGAs in one year
- CGAs can be established at one or more 501(c)(3)s
- Total gifts across all annuities may not exceed \$53,000 (2024)



2/29/2024 (c) PG Calc 2024 20

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### Potential Challenges for CGAs

- CGAs must still generate deduction  $\geq 10\%$  of gift
- 5% required minimum payout
  - ACGA rate for beneficiaries aged 73 and 59 = 4.9%
  - In such cases, make sure your state registration allows you to offer a rate higher than ACGA
- CGA contract must be non-assignable
  - May require filing revised CGA sample contracts in certain states

2/29/2024 (c) PG Calc 2024 21

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### Potential Challenges for Charitable Remainder Trusts

- Can two spouses use separate IRAs to fund one two-life CRT?
  - Seems permissible if:
    1. Both are over 70 1/2
    2. Simultaneous funding
- Trusts must be measured by life, term of years unavailable (donor and spouse must be only possible income recipients)
- No additional assets can be contributed, limiting the utility of a CRT

2/29/2024 (c) PG Calc 2024 22

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### Who is Your Donor?

- Someone who wants to make a charitable gift
- Someone subject to substantial RMD
- Someone who finds the IRA income "nice but not necessary"
- Someone who can't use a charitable deduction because they don't itemize or because they've reached their AGI limit
- Someone who is interested in minimizing taxation
- Someone who is interested in generating a fixed stream of income (CGA)

2/29/2024 (c) PG Calc 2024 23

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### Still Have a Question?



To ask a question click the Q&A button at the bottom

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27

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### Still Have a Question?

**Contact:** Jeff Lydenberg  
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PG Calc

**E-mail:** jeff@pgcalc.com

2/29/2024 (c) PG Calc 2024 28

28

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