TAX TIP TUESDAY – DONATE SMARTER: QCDS EXPLAINED

Qualified Charitable Distributions (QCD) are taxable distributions that a taxpayer, age 70 ½ and older, would ordinarily receive from their IRA that instead are directed to a charitable organization at the taxpayer's request. The main benefit of a QCD is providing significant tax savings for retirees (age 70.5+) by allowing direct, tax-free transfers from an IRA to a charity, which lowers taxable income, helps satisfy required minimum distributions (RMDs), and can reduce Medicare surcharges and other income-based tax impacts, all without needing to itemize deductions.

To qualify for the QCD, the taxpayer should not receive the IRA distribution, as a direct transfer from the IRA to the charity is necessary. A taxpayer can elect to donate their entire RMD from their IRA to a qualified charitable organization.