



Rockport Library
FOUNDATION

Tax Benefits Of Donating Directly From An IRA Account

Individuals that have an individual retirement account(s) (IRA) that are 70½ or older can give up to \$100,000 total to charity or charities in a given year without having to recognize the income tax that would otherwise be payable on required minimum distributions. Why? Because a direct Qualified Charitable Distribution (QCD) can be excluded from income. The QCD must be sent directly from the individuals' IRA account to the charity in order to have the distribution excluded from their reportable income. If one takes a distribution from their IRA, which is taxable, and then makes a gift from the proceeds, they may increase their Adjusted Gross Income in a way that exposes them to higher income tax on Social Security Benefits. They may also bump themselves into a higher income and/or capital gains tax bracket.

One of the best features of this strategy is that donors can use their Required Minimum Distribution (RMD) that they must otherwise withdraw from their IRA to make these gifts. The result? That income that was put aside without tax will become a charitable gift without deducting any tax, which many people find compelling.

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