

## Tax-Free Charitable Giving with Your IRA

Many older individuals are interested in ways to give back and be philanthropically involved. If that's you, you may have heard about ways to take distributions at age 70 ½ tax free by donating to charity. Keep reading for more information about who qualifies to make these types of donations, known as Qualified Charitable Distributions (QCDs), and what to know before writing your check.

### What is the advantage?

People donate to charities for a variety of reasons, but one of the many advantages is receiving a potential tax deduction for the donation. Unfortunately, at tax time you might find that your donation is not fully tax deductible depending on factors like your Adjusted Gross Income (AGI) and whether you itemize your tax return.

If you have an IRA and are age 70 ½ or older<sup>1</sup>, you may be required to take Required Minimum Distributions (RMDs) on an annual basis which generates taxable income. By donating from your IRA as a QCD, taxes on your distribution are completely offset by your donation. Your donation may be less or more than your RMD amount, up to \$100,000, but whatever you donate will count towards satisfying your RMD for the year.

Any deductible IRA contributions you have made during or after the year you turn 70 ½ will reduce the amount of your distribution that may qualify as a QCD dollar-for-dollar and is considered part of that distribution.

### What is a Qualified Charitable Distribution?

A QCD is a donation that is made to a qualifying charity directly from your IRA. For example, your financial institution will make your IRA check payable directly to the charity

or transfer funds directly to the charity of your choice by debiting your IRA. You do not receive these funds yourself.

### Who qualifies for a Qualified Charitable Distribution?

To qualify, you must have a traditional IRA, Roth IRA, inactive SEP IRA, or beneficiary IRA.

Your distribution must also occur at age 70 ½ or older, even if you have a Roth IRA or you are a beneficiary. If you will turn 70½ later in the year, you can make a Qualified Charitable Distribution once you reach that date even if you would be permitted to take an RMD earlier in the year.

Speak with your tax advisor for more information, including whether any SEP IRA you own qualifies as an inactive SEP IRA, which is generally an account to which you no longer contribute.

### What charities qualify?

Generally donations to 501(c)(3) organizations, educational institutions, hospitals, and churches qualify as recipients of a QCD. You may check whether your intended charity qualifies using the Tax Exempt Organization Search feature on the Internal Revenue Service website located at <https://www.irs.gov>.

Oppenheimer & Co. Inc. is well positioned to help you complete charitable donations using your retirement account.

*Speak with Clara Montanez at (202) 261-0706 to learn more!*

<sup>1</sup> Under the SECURE Act signed into law on December 20, 2019, the start age to begin receiving RMDs for individuals born after June 30, 1949 is 72.