Tax-free IRA distributions for charitable giving

Wealth Management

Qualified charitable distributions allow you the convenience to reduce taxable income, achieve charitable giving goals and if necessary satisfy your required minimum distribution[1]—all in one transaction.

Individuals over age 70½ can donate up to $100,000 from an IRA directly to a qualified charity without triggering any federal income taxes.

Under the qualified charitable distributions provision, you request a distribution from your IRA and provide RBC Wealth Management with the name and address of the qualifying charity. The distribution will be sent directly to the charity of your choice. Married spouses who are both age 70½ or older can each contribute up to $100,000 annually. However, the contributions must come from their own IRA.

Benefits of qualified charitable distributions

There are a number of potential tax benefits to you for making a charitable contribution directly from your IRA:

- Income tax on the distribution is avoided—even if you do not itemize deductions and even if your gifts exceed the percentage-of-income limits for charitable deductions.
- The qualified charitable distribution comes out of the pretax portion of your aggregated IRAs. This is an exception to the usual rule regarding recovery of IRA basis.
- The distribution does not increase your adjusted gross income for purposes of reducing itemized deductions, nor does it limit the amount of deductible medical expenses or miscellaneous itemized deductions or increase the taxation of your Social Security benefits.
- If the state you live in determines taxable income based on federal adjusted gross income, there is no state income tax on the distribution—even if the state does not allow the charitable deduction.

Note: Because the transfer is tax-free, you may not take the charitable deduction on your tax return.

Qualified charitable distribution requirements

Certain requirements need to be met in order for a distribution to be considered a qualified charitable distribution.

These include:

- The distribution must come from a traditional or Roth IRA. The provision does not apply to active SEPs and SIMPLE IRAs or qualified plans.
- You must be age 70½ or older by the date of distribution.
- In the case of an IRA maintained for the benefit of a beneficiary after the death of an IRA owner, the beneficiary must be age 70½ or older by the date of distribution.
- The distribution must go directly from the IRA to the charity.
- The receiving charity can be any qualified nonprofit other than a Donor-Advised Fund, a supporting organization or certain private foundations.
- The contribution must be one that would normally be 100% deductible as a charitable contribution.
- Check-writing via a qualified account is a best practice.
- Charity needs to cash check prior to December 31.
- Receipt is required.

Put qualified charitable distributions to work for you and your favorite charities. Call your RBC Wealth Management® financial advisor today to discuss how this opportunity may help you minimize your tax exposure, achieve your charitable goals and satisfy your required minimum distribution all at once.

[1] Qualified charitable distributions can begin at age 70½; the required minimum distribution age is 72.

20-20-03021_20144 (09/20)