



IRA charitable donations: An alternative to taxable required distributions

Are you a charitably minded individual who is also taking distributions from a traditional IRA? You may want to consider the tax advantages of making a cash donation to an IRS-approved charity out of your IRA.

When distributions are taken directly out of traditional IRAs, federal income tax of up to 37% in 2022 will have to be paid. State income taxes may also be owed.

Qualified charitable distributions

One popular way to transfer IRA assets to charity is via a tax provision that allows IRA owners who are age 70½ or older to direct up to \$100,000 per year of their IRA distributions to charity. These distributions are known as qualified charitable distributions (QCDs). The money given to charity counts toward your required minimum distributions (RMDs) but doesn't increase your adjusted gross income (AGI) or generate a tax bill.

Keeping the donation out of your AGI may be important for several reasons. Here are some of them:

1. It can help you qualify for other tax breaks. For example, having a lower AGI can reduce the threshold for deducting medical expenses, which are only deductible to the extent they exceed 7.5% of AGI.
2. You can avoid rules that can cause some or all of your Social Security benefits to be taxed and some or all of your investment income to be hit with the 3.8% net investment income tax.
3. It can help you avoid a high-income surcharge for Medicare Part B and Part D premiums, which kick in if AGI is over certain levels.
4. The distributions going to the charity won't be subject to federal estate tax and generally won't be subject to state death taxes.

Important points: You can't claim a charitable contribution deduction for a QCD not included in your income. Also keep in mind that the age after which you must begin taking RMDs is 72, but the age you can begin making QCDs is 70½.

To benefit from a QCD for 2022, you must arrange for a distribution to be paid directly from the IRA to a qualified charity by December 31, 2022. You can use QCDs to satisfy all or part of the amount of your RMDs from your IRA. For example, if your 2022 RMDs are \$10,000, and you make a \$5,000 QCD for 2022, you have to withdraw another \$5,000 to satisfy your 2022 RMDs.

Other rules and limits may apply.