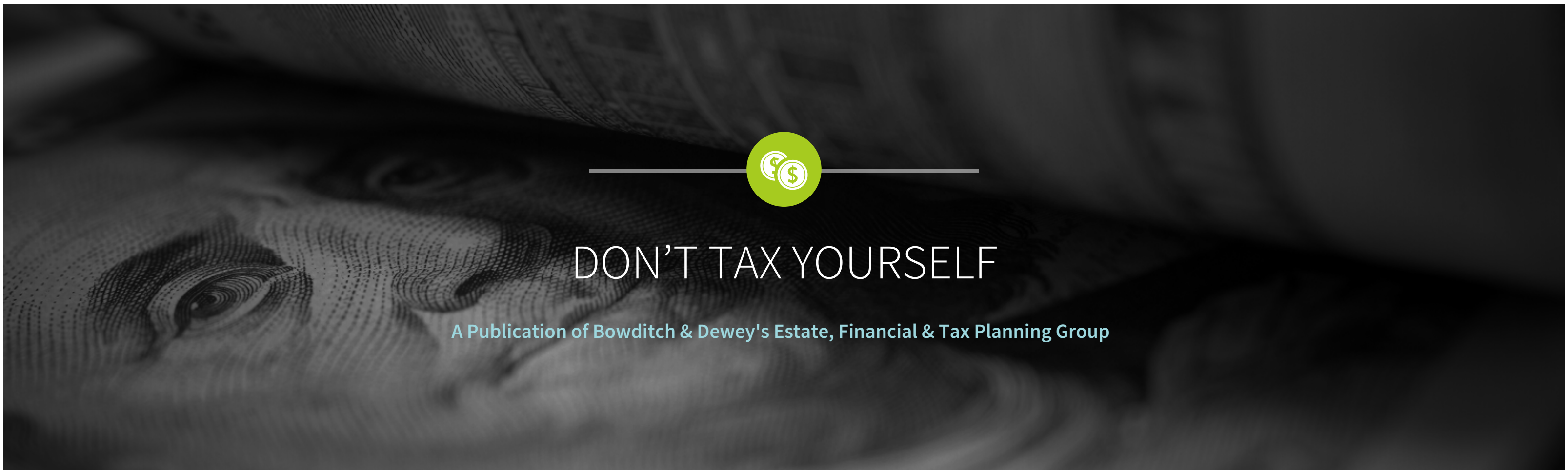

Year-End Charitable Giving and IRA Qualified Charitable Distributions

BY SANDRA F. O'NEILL • NOVEMBER 9, 2021

As the 2021 tax year winds down, owners of individual retirement accounts (IRAs) might consider combining the 2021 tax benefits of charitable giving with a qualified charitable distribution from your IRA. If you are at least 70 ½ years of age, you can make an IRA distribution of up to $100,000 to a qualified charitable organization and the distributed amount is excluded from your gross income for federal income tax purposes. In addition, the distribution will count towards your required minimum distribution amount for the tax year.

For the distribution to count as a qualified charitable distribution, you must meet the following requirements. First, you must have a letter of acknowledgement from the charity recipient of your charitable contribution. Second, the trustee of the IRA must transfer the funds directly to the charitable organization (the distribution cannot be made to you first). Third, the charity recipient of the qualified charitable distribution must be a 501(c)(3) organization that is eligible to receive tax-deductible contributions. The following charities, however, do not qualify for qualified charitable distributions:

- Private foundations;
- Supporting organizations (i.e., charities carrying out exempt purposes by supporting other exempt organizations, usually other public charities); and
- Donor-advised funds, which public charities manage on behalf of organizations, families, or individuals.

For 2021 as well, taxpayers that itemize deductions will benefit from a higher tax deduction limitation for cash charitable contributions. As part of the 2020 CARES Act and year-end legislation dealing with the Coronavirus pandemic, Congress increased the adjusted gross income limit for cash contributions to qualifying public charities for the 2020 and 2021 tax years. The deduction limits are now 100 percent of adjusted gross income (up from 60 percent of adjusted gross income prior to the CARES Act). Therefore, if you make cash charitable contributions in 2021 (other than qualified charitable distributions), you may deduct the full amount of the charitable contributions against your adjusted gross income for federal income tax purposes. Taxpayers who exhaust their 100% deduction limit can carryforward additional charitable contribution amounts for the next five years.

Consult your tax advisor about making qualified charitable distributions and other charitable contributions, as the rules surrounding their deductibility are complex.