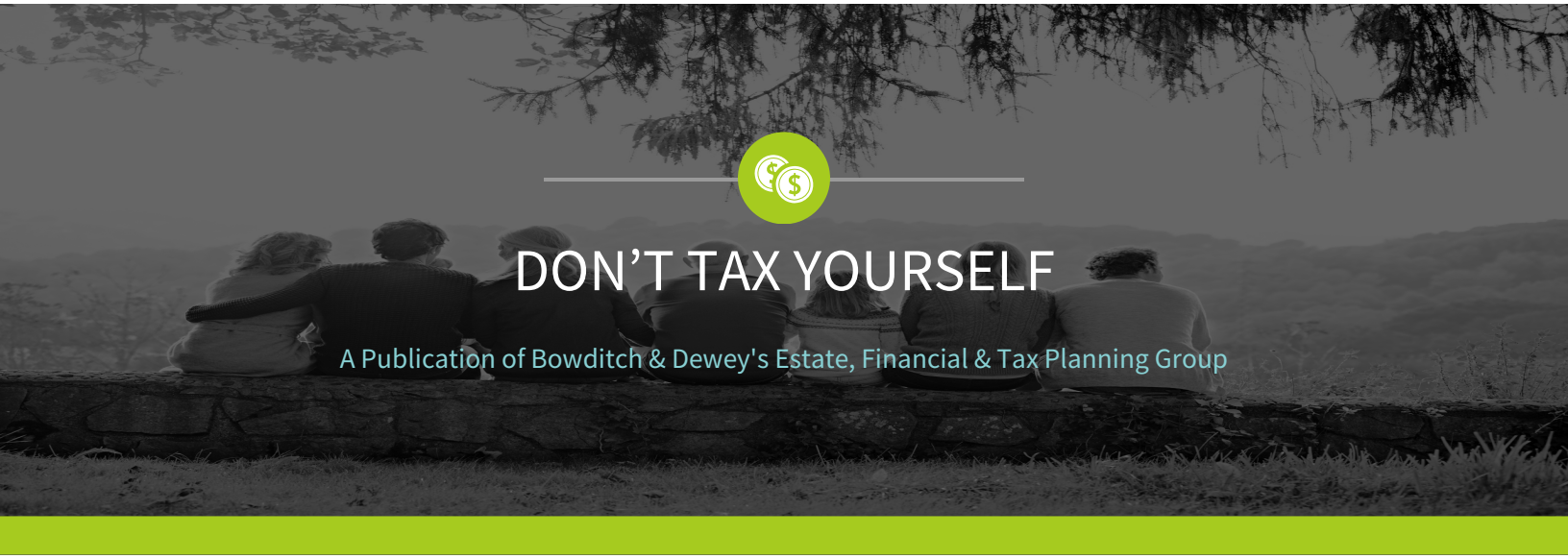

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Year-End Charitable Giving and IRA Qualified Charitable Distributions

BY SCOTT C. CASHMAN • NOVEMBER 20, 2023

As the 2023 tax year winds down, owners of individual retirement accounts (IRAs) might consider combining the 2023 tax benefits of charitable giving with a qualified charitable distribution (QCD) from their IRA.

If a taxpayer is at least 70 ½ years of age, they can make an IRA distribution of up to $100,000 to a qualified charitable organization and the distributed amount is excluded from gross income for federal and Massachusetts income tax purposes. In addition, the distribution counts towards the required minimum distribution amount for the tax year.

Each IRA owner age 70 ½ or older can exclude from gross income up to $100,000 of a QCD. For a married couple each with an IRA, if both spouses are age 70 ½ or over when the distribution is made each spouse can exclude up to $100,000 for a total of $200,000.

For the distribution to count as a QCD, the following requirements must be met. First, the taxpayer musty receive a written acknowledgement from the charity recipient. Second, the trustee of the IRA must transfer the funds directly to the charitable organization (the distribution cannot be made to the taxpayer first). Third, the charity recipient of the QCD must be a 501(c)(3) organization that is eligible to receive tax-deductible contributions. The following charities do not qualify for QCDs:

- 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.

In early 2024, taxpayers who make a 2023 QCD will receive a Form 1099-R reporting both regular IRA distributions and QCDs. The total amount of distributions are reported on Form 1040, line 4a. The QCD portion is then excluded and any

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portion taxable is reported on line 4b.

Any taxpayers contemplating a QCD should contact their IRA trustee soon so there is sufficient time to complete the distribution prior to year-end.

More information on QCDs can be found on the IRS website.

Taxpayers may also want to consult their tax advisor about making QCDs and other charitable contributions as the rules surrounding their deductibility are complex.

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