

Qualified Charitable Distributions

Explore the benefits of giving from your IRA

Qualified Charitable Distributions (QCDs) provide an opportunity to make a tax-free donation to charity using your traditional individual retirement account (IRA). If you're 70½ or older, making QCDs lets you maximize your charitable impact while reducing your taxable income. If you do not need all the money from your IRA required minimum distribution (RMD), making a charitable gift may be a tax-efficient way to support causes and organizations that are near and dear to your heart.

Why consider QCDs? If you own an IRA, you must take RMDs, whether or not you need the funds. When you take an RMD from an IRA, it creates taxable income. Increasing your income could push you into a higher tax bracket, and may impact your ability to take certain tax deductions and potentially, taxes on your Social Security and your Medicare premiums.

While QCDs aren't eligible for charitable tax deductions, they are not included in your taxable income like other IRA withdrawals are. They do count toward your annual RMD from your IRA. When you use your RMD to make a QCD, your taxable income is reduced dollar for dollar. This approach to charitable giving helps you save on taxes while supporting your philanthropic goals.

Consider Qualified Charitable Distributions (QCDs) if:

- You have charitable intentions
- You must take a required minimum distribution (RMD) from your individual retirement account, but don't need all the funds
- You would like to reduce your future RMDs by lowering the balance in your IRA
- You have already donated the maximum allowable percentage of your adjusted gross income (AGI) (60% for most taxpayers in 2026)
- You wish to make a larger charitable gift than is possible by donating cash or other assets
- You'd like to make a large donation immediately, and you've already identified the qualified charities you wish to support

Watch Out

QCDs are subject to specific rules

1. Your chosen charity must be 501(c)(3) qualified to receive QCDs before making a donation. Be sure to get an acknowledgement of the gift for your records.
2. Funds must be transferred directly from the IRA to the charity to avoid tax complications. As the donor, you can receive a check in the charity's name and send it in. However, you cannot receive the funds in your name, then write a separate check to the charity.
3. The QCD limit for 2026 is \$111,000 per person and is indexed for inflation.
4. You cannot take a charitable deduction on your taxes for making a QCD.
5. Your QCD must be completed in the current tax year, and by the same deadline as a normal RMD, usually December 31.
6. Make your QCDs early in the year. Due to the "first dollars out" rule, which says that the first dollars distributed from your IRA count toward your RMD, timing is everything. In other words, if you take withdrawals from your IRA early in the year, you may use up your RMD before you can make your QCDs. Once you've taken your RMD, it cannot be retroactively classified as a QCD.

How Do Qualified Charitable Distributions Work?

A QCD enables you to make a direct transfer to an eligible charity of up to \$111,000 from a traditional IRA, inherited IRA, inactive Simplified Employee Pension (SEP) plan, and inactive Savings Incentive Match Plan for Employees (SIMPLE) IRAs.¹ You can make a QCD from a Roth IRA, but there's no tax advantage because Roth IRA withdrawals aren't subject to taxes.

Tax benefits of QCDs

Failing to take RMDs could result in hefty penalties. Qualified charitable distributions (QCDs) are a tax-smart way to use your RMDs to support your favorite charities. The assets from your IRA go directly to the charity, which means QCDs aren't reported as taxable income and you won't owe taxes on them. You don't have to itemize deductions to realize the tax benefit either. For a QCD to count toward your current year's RMD, the funds must come out of your IRA by the RMD deadline (usually December 31).

To avoid potential tax complications, your contribution should go directly to the charity of your choice from your IRA. If you receive the funds first, then donate, your contribution will not qualify as a QCD for tax purposes.

Who can make QCDs?

You can make a QCD as long as you are 70½ or older. When you make a QCD, you can instruct your IRA custodian to transfer all or part of your RMD up to \$111,000 a year to one or more qualified 501(c)(3) charities. If you're married and you and your spouse file taxes jointly, you can each make an annual QCD of \$111,000 if you each have IRA accounts with a balance of \$111,000 or more, for a potential total of \$222,000.

It bears repeating: The funds must go directly from your IRA to the charity. Your IRA custodian can send it for you by electronic transfer or check, or if you have check-writing capacity on the account, you can send the check as long as it is made out to the charity. Make sure the charity is a 501(c)(3) organization qualified to accept QCDs.

QCDs may result in greater tax savings than claiming a tax deduction for a cash donation. This is because QCDs reduce your adjusted gross income (AGI). AGI is used to determine your Medicare premiums and the taxable portion of your Social Security benefits, among other key financial calculations that could impact your retirement income and tax obligations.

Making a QCD reduces your taxable income, lowering your AGI, which could potentially be more beneficial than taking a charitable deduction. See the following example.



QCD limits are now indexed for inflation.

1. Inactive SEP and SIMPLE IRAs are accounts that no longer receive employer contributions.
Source: fidelitycharitable.org/guidance/philanthropy/qualified-charitable-distribution.html

Enhancing Tax Savings with a QCD

Example: Bob will be 75 years old in 2026 and needs to take an RMD from his traditional IRA. Bob's traditional IRA is valued at \$1,000,000, resulting in a projected RMD of \$40,650. His ordinary income in 2026 is \$80,000 and he will submit tax returns with the single filing status.

Option 1

Bob's adjusted gross income (AGI) is projected to be \$80,000, but if he takes his RMD income of \$40,650, it will increase his AGI to \$120,650. If Bob then donates his RMD to charity, he would take an itemized deduction of \$42,089, assuming he has no other deductions to itemize along with the enhanced OBBBA deduction. This results in \$80,000 in federal taxable income.

Option 2

However, if Bob instructs his IRA administrator to direct his RMD as a QCD to an eligible charity, the RMD would be excluded from Bob's taxable income. Bob then takes the standard deduction of \$18,150 for 2026, plus an additional deduction of \$5,700 due to OBBBA. Therefore, his standard deduction totals \$23,850. As a result, his federal taxable income is reduced to \$56,150.

	Take RMD income and donate cash	TAX-SMART APPROACH: make a QCD and satisfy RMD
Bob's adjusted gross income (AGI)	\$120,650	\$80,000
Bob's charitable gift	\$40,047 (cash)	\$40,650 (QCD)
Itemized or standard deduction	\$43,308 itemized deductions*	\$23,850 standard deduction**
Bob's estimated federal taxable income	\$77,342	\$56,150

*Includes OBBBA 0.5% AGI Gift Floor reduction for 2026 and Enhanced Senior Deduction (partially phased out)

**Includes the regular standard deduction, additional standard deduction for age 65+ and Enhanced Senior Deduction (partially phased out)



A QCD lowers Bob's taxable income by \$21,192.

Additional Considerations

1. Not all charities qualify to receive QCDs.

Private foundations; supporting organizations (i.e., charities that support other exempt organizations); and donor advised funds (DAFs), are not eligible to accept QCDs.

2. Let your tax professional know you did a QCD.

QCDs are reported to the IRS as normal IRA distributions, and as death distributions for inherited IRAs and inherited Roth IRAs. Make sure the QCD is listed correctly on your tax return so you get the tax break. Additionally, while QCDs aren't subject to federal taxes, state tax rules vary. Check with your tax advisor for guidance.

3. You can make a QCD that is more or less than your annual RMD.

Let's say you have an RMD of \$5,000 and you want to gift \$3,000. You still have to withdraw the full amount of your RMD and pay taxes on the \$2,000 you didn't give to charity. You can also use a QCD to give more than your RMD for the year; however, you can't carry over that extra distribution to future years. Note: You must take your entire RMD to avoid penalties.

4. You can make QCDs to multiple charities.

You can use your QCD to make as many donations as you want.

5. Making a QCD may help your giving dollars go further, maximizing your philanthropic impact.

As of 2026, donors have the option to direct a one-time, \$55,000 QCD to a charitable remainder trust or charitable gift annuity.

6. Be careful doing QCDs if you are still working after 70½ and contributing to your IRA.

Your QCD tax benefit will be reduced by the amount of the contributions made after 70½. The IRS does not want you making tax-deductible IRA contributions and getting the benefit of making a QCD at the same time.²

QCDs offer an opportunity to increase your philanthropic impact and contribute to the greater good while potentially reducing taxable income.

Your financial professional is available to help you evaluate the key considerations of QCDs.

2. Source: kitces.com/blog/secure-act-qualified-charitable-distributions-qcd-ira-contribution-age-repeal-70-1-2-anti-abuse-reduction/

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