

# Charitable IRA Rollover QCD: A Taxwise Giving Opportunity

Now you can reliably plan Charitable IRA Rollover QCD gifts, year after year. On December 18, 2015, the **Protecting Americans from Tax Hikes Act of 2015** was signed into law. The new law permanently extended the Charitable IRA Rollover for 2016 and beyond.

## SECTION 1: FREQUENTLY ASKED QUESTIONS

### ***What is a Charitable IRA Rollover QCD?***

The Charitable IRA Rollover, also known as the **Qualified Charitable Distribution (QCD)**, is a special charitable provision that describes the gift vehicle allowing certain donors (over 70-1/2) to exclude from taxable income certain transfers of Individual Retirement Account (IRA) assets that are made directly to public charities, including The Christian Broadcasting Network (CBN) and Operation Blessing International Relief and Development Corp. (OB).

**The QCD can count toward the donor's Required Minimum Distribution (RMD).**

**It is a simple process.** There is no Charitable IRA account to setup, it is only a rollover method of delivery. It only requires contacting your IRA account administrator and requesting a direct transfer by check from your IRA account to CBN or OB. The IRA administrator may require you to authorize the transaction either by phone or by completing their form that would include the name of the receiving charity and, in some instances, the charity's tax ID number.

### ***How does this help me?***

A Charitable IRA Rollover QCD makes it easier to use IRA assets, during lifetime, to make charitable gifts.

### ***Why will lifetime IRA gifts be easier?***

Under current law, personal withdrawals from traditional IRAs, inherited IRAs and certain Roth IRAs are taxed as income, even if they are immediately directed to a charity. The donor receives a tax deduction for his or her donation, but various other federal, and sometimes state, tax rules can prevent the deduction from fully offsetting this taxable income. As a result, many donors have chosen not to use IRA assets for lifetime gifts. The Charitable IRA Rollover QCD eliminates this problem.

### ***What gifts qualify for a Charitable IRA Rollover QCD?***

A gift that qualifies, technically termed a QCD or "qualified charitable distribution," is:

- Made by a donor age 70-1/2 or older
- Transferred from a Traditional IRA or inherited IRA (or certain Roth IRAs) directly to a permissible public charity
- No tax withholding is required
- Payable by check from the IRA administrator to the qualified charity
  - A check payable to the donor who later writes a check to the charity from a personal checking account disqualifies the tax-free status of the IRA distribution
- Completed during the applicable tax year
- A tax-free distribution that counts towards satisfying the taxpayer's annual Required Minimum Distribution (RMD).

- An exclusion from income that lowers Adjusted Gross Income and can benefit the donor by minimizing Medicare premiums and lowering tax on Social Security benefits.

***Is an income tax deduction also available?***

No. Since the QCD provides a better benefit as an exclusion from income, providing a deduction in addition to that exclusion would create an inappropriate double tax benefit.

- It is one of the few charitable gifts that a donor is not required to itemize deductions (1040 schedule A) to receive a full tax benefit
  - Note it provides a benefit to non-itemizers who take the standard deduction because they don't have enough deductions to itemize.
- There is an added bonus for donors in states that don't provide for a full itemized deduction for charitable contributions (Indiana, Michigan, New Jersey, Ohio, Massachusetts and West Virginia) due to its exclusion from income.

***Is there a limit on the amount that can be given?***

Yes, there is a limit. An individual taxpayer's total Charitable IRA Rollover QCD gifts cannot exceed \$100,000 per tax year (or \$100,000 for each qualifying married spouse).

***Why are Roth IRAs included? Aren't withdrawals from a Roth IRA tax-free?***

Withdrawals from a Roth IRA may be tax-free only if the account has been open for longer than five years or if certain other conditions apply. Otherwise, withdrawals are taxed as if they came from a traditional IRA. Therefore, certain Roth IRAs could benefit from a Charitable IRA Rollover QCD.

***Can other retirement plans, such as 401(k) and 403(b) accounts, be used?***

No. However, it may be possible to first make a direct tax-free transfer from such other accounts to a Traditional IRA, from which a Charitable IRA Rollover QCD can then be made starting in the following year.

***Can a gift be made to any charity?***

No. Excluded are: Donor Advised Funds, Supporting Organizations and Private Foundations.

***Who can benefit from using the Charitable IRA Rollover QCD to make a gift?***

- Persons with significant assets in an IRA
- Persons making gifts that are large, relative to their income
  - Because a Charitable IRA Rollover QCD is not included in taxable income, it does not count against the usual percentage limitations on using charitable deductions.
- Persons having so few deductions that they choose not to itemize

***Can a Charitable IRA Rollover QCD gift be used to pay my pledged support to CBN or OB?***

Yes. You can honor your gift pledge to CBN or OB with one or more qualified Charitable IRA Rollover QCD transfers of up to \$100,000 per person, per calendar year. You can direct your IRA provider to transfer your charitable gift to CBN or OB quarterly, annually, or other timing that works for you. Simply have your provider indicate that the transfer is a gift from you. When changing from monthly pledge gifts to giving from your IRA as a QCD, it is preferred you change making fewer but larger gifts on an annual, semi-annual or quarterly basis to reduce administration and receipting that is required for monthly donations.

***Can a Charitable IRA Rollover QCD gift be used to fund a charitable remainder trust or charitable gift annuity?***

No. The donor can receive no benefits in return for the gift under current law. This includes life income plan payments.

***What if a withdrawal does not meet the requirements of a Charitable IRA Rollover QCD?***

It simply will be included in taxable income as other IRA withdrawals currently are.

## SECTION 2: WHAT ABOUT REPORTING ON MY INCOME TAXES?

### ***If I made a Charitable IRA Rollover gift in other tax years, can I do this again for the current tax year?***

Yes. The current law extends the Charitable IRA Rollover QCD provision indefinitely -- with no expiration date -- allowing individuals to make qualifying gifts every tax year.

### ***What are IRS reporting requirements?***

The IRA owner donor should receive a 1099R from their IRA administrator in January 2022 for IRA distributions in 2021, including the Charitable IRA Rollover QCD. The IRA distribution is reported on the first page of the 1040 form along with the offsetting tax free qualified charitable distribution amount that is to be excluded in calculating the taxable portion, if any. Please note **QCD** on the appropriate reported IRA distribution line on your tax return next to the qualified exclusion amount. Since the Charitable IRA Rollover QCD receives a full tax benefit as an exclusion from income, it should not be reported as a charitable itemized deduction on your 1040 Schedule A. Please consult with your tax preparer for proper QCD reporting as a tax-free exclusion.

### ***I just made a QCD from my Traditional IRA. Will the 2021 Form 1099-R that I get early next year reflect the QCD?***

No. People age 70½ and older can transfer up to \$100,000 yearly from traditional IRAs directly to charity. These QCDs can count as part of Required Minimum Distributions (RMD), but they are not taxable, and they are not added to your Adjusted Gross Income (AGI). The 1099-R will show only the distribution. The reason for this is custodians lack firsthand knowledge to discern whether a particular payout meets the QCD rules. When filling out your Form 1040 or 1040-SR, include the total amount of IRA distributions shown on the 1099-R on line 4a. Then subtract the QCD and report the remainder, even if \$0, on line 4b. Write "QCD" next to line 4b. If filing electronically, a drop-down box for line 4 gives you a choice to click QCD.

## SECTION 3: HOW DO I MAKE A QCD TO CBN OR OB?

### ***To make a Charitable IRA Rollover QCD gift to CBN:***

Your IRA custodian must make the Charitable IRA Rollover QCD gift by check payable to "The Christian Broadcasting Network, Inc." (Tax ID #54-0678752).

### ***To make a Charitable IRA Rollover QCD gift to OB:***

Your IRA custodian must make the Charitable IRA Rollover QCD gift by check payable to "Operation Blessing International Relief and Development Corp." (Tax ID #54-1382657).

For tax receipt purposes, QCD gifts for CBN or OB should be mailed to:

**CBN Planned Giving – CSB112  
977 Centerville Turnpike  
Virginia Beach, VA 23463**

Please authorize and direct your IRA Custodian to specifically include your name with the check, also identifying the check as a "QCD" or "Qualified Charitable Distribution". This will enable CBN Gift Processing to correctly identify you as the donor and mail you the proper QCD tax receipt acknowledgement letter.

## SECTION 4: CAN I ALSO MAKE CBN OR OB A BENEFICIARY OF MY IRA?

### ***Can I still make a gift with an IRA beneficiary designation?***

Absolutely! Whether or not you choose to make a Charitable IRA Rollover QCD gift, you can still designate The Christian Broadcasting Network, Inc. (Tax ID #54-0678752) and/or Operation Blessing International Relief and Development Corp. (Tax ID #54-1382657) as a beneficiary to receive IRA assets after your lifetime. The lifetime Charitable IRA Rollover QCD is simply another option for donors who would like to see their philanthropy at work now.

***This information is provided for your information and is not intended as tax, legal or financial advice. Consult your qualified professional advisors for information specific to your situation.***

Feel free also to call our Planned Giving office at 800-333-2373 or email [plannedgiving@CBN.org](mailto:plannedgiving@CBN.org) to learn how the Charitable IRA Rollover QCD can help you support CBN and/or OB.