



# CAUSE CONNECTION

Connecting people who care to causes that matter

## 2022's Most-asked Questions about QCDs

Qualified Charitable Distributions, or “QCDs,” are becoming a very popular financial and charitable planning tool. At the same time, QCDs are growing as the source of more and more confusion. Here are answers to the questions we’ve been asked most frequently this year by both advisors and donors. We encourage donors to reach out to their tax advisors if they are considering this type of gift.

### 1 Is an IRA (Individual Retirement Account) the only eligible source for Qualified Charitable Distributions?

**Short answer:** Almost.

**Long answer:** An individual can make a Qualified Charitable Distribution directly to an eligible charity from a traditional IRA or an inherited IRA if they are over the age of 72 1/2. If the individual’s employer is no longer contributing to a Simplified Employee Pension (SEP) plan or a Savings Incentive Match Plan for Employees (SIMPLE) IRA, the individual may generally use those accounts as well. In theory, a Roth IRA could be used to make a QCD, but it is rarely advantageous to do that because Roth IRA distributions are already tax-free.

### 2 What is the difference between a QCD and an RMD?

**Short answer:** Quite a bit! But a QCD can count toward an RMD.

**Long answer:** Everyone must start taking Required Minimum Distributions (“RMDs”) from their qualified retirement plans, such as IRAs, when they reach the age of 72. RMDs are taxable income. The Qualified Charitable Distribution, by contrast, is a distribution directly from certain types of qualified retirement plans (such as IRAs) to certain types of charities. When a taxpayer follows the rules, a QCD can count toward the taxpayer’s RMD for that year. And because the QCD goes directly to charity, the taxpayer is not taxed on that distribution. (i.e., the RMD is not considered income)

### 3 Can I make a Qualified Charitable Distribution even if I am not yet required to take Required Minimum Distributions?

**Short answer:** Yes—within a very narrow age window.

**Long answer:** RMDs and QCDs are both distributions that impact retirement-age taxpayers, and it would seem logical that the age thresholds would be the same. Under the SECURE Act, though, the required date for starting RMDs was [shifted](#) from 70 ½ to 72 (which is better for taxpayers who want to delay taxable income). *(Continued on back)*



Christmas | Hanukkah | Kwanzaa

As we come to the end of 2022, we have two simple words for our donors, board members (past and present), and friends and associates—**thank you**.

**Thank you** for entrusting your philanthropy with us and allowing us to connect you to the causes you care about most.

**Thank you** for allowing us to build a stronger community by helping you fulfill your charitable vision and grow a charitable legacy.

**Thank you** for enabling us to fund nonprofits and partner in the community to improve the quality of life in our region as a trusted and respected grantmaker.

It’s your support that made it possible for us to share our community knowledge, leadership and expertise as we improved the effectiveness of nonprofits and directed funding where it was needed most. For all this we say—**thank you**

**Your Partners at Lehigh Valley  
Community Foundation**

## Most-asked Questions about QCDs (continued)

A corresponding shift was not made to the eligible age for executing QCDs; that age is still 70 ½ (which benefits taxpayers who wish to access IRA funds to make charitable gifts even before they are required to take RMDs).

The IRS's rules for QCDs are captured in [Internal Revenue Code Section 408](#) and summarized on pages 14 and 15 in [Publication 590-B](#) in its [FAQs publication](#).



### 4 Can I direct a QCD to my fund at LVCF

**Short answer:** Yes, if it's a qualifying fund.

**Long answer:** While donor-advised funds are not eligible recipients of Qualified Charitable Distributions, other types of funds at the community foundation can receive QCDs. These funds include designated funds, unrestricted funds, area-of-interest funds, and scholarships.

### 5 How much can I give through a QCD?

**Short answer:** \$100,000 per year, per person

**Long answer:** A Qualified Charitable Distribution permits you (and your spouse from your spouse's own IRA or IRAs) to transfer up to \$100,000 each year from an IRA (or multiple IRAs) to a qualified charity. So, as a married couple, you and your spouse may be eligible to direct up to a total of \$200,000 per year to charity from your IRAs and avoid significant income tax liability.

The screenshot shows the LVCF Donor-Advised Fund website. At the top, there is a navigation bar with 'Donor Central' and a search icon. Below the navigation bar is a large banner with the text 'LVCF Donor-Advised Fund' and 'Discover the LVCF Advantage'. Below the banner are three columns of information: 'PHILANTHROPISTS' (with a 'LEARN MORE' button), 'ADVISORS' (with a 'DISCOVER OUR SERVICES' button), and 'NONPROFITS' (with a 'DISCOVER OUR SERVICES' button). At the bottom, there is a summary of the foundation's impact: 'Lehigh Valley Community Foundation has helped donors with their charitable giving for over 50 years.' Below this, there are four icons representing different metrics: '280+ CHARITABLE FUNDS', '\$6.0M IN GIFTS', '\$6.8M IN GRANTS', and '\$70M IN ASSETS'.

## LVCF Website Launched

Check out LVCF's new website that was redesigned from top to bottom. It has a section created for donors and fundholders and we still have a page for every fund (find yours!). You can access DonorCentral as before. Come for the murals, stay for the useful information at: [www.lvcfoundation.org](http://www.lvcfoundation.org)

## SO LONG 2022:

# Important charitable tax planning reminders as the year winds down

Now is the time to act if you are thinking about year-end gifts. Time is indeed of the essence!

### Gifts of appreciated stock still shine

Giving in a roller coaster market may continue to be a real concern for many of our philanthropic partners, but remember, not all stocks are down. Gifts of appreciated stock to a donor-advised fund or other type of fund at the Community Foundation is still one of the most tax-savvy ways to support favorite charitable causes because capital gains tax can be avoided. And of course, a stock market rally can present timely opportunities.

### Donor-advised funds help both the donor and the donor's favorite nonprofits

Grantmaking from donor-advised funds continues to rise, especially as donors and their advisors pay increasing attention to the ways a donor-advised fund can help with tax planning and, importantly, keep a donor's giving levels consistent even in lower income years. Reach out to the Community Foundation to learn more about how "bunching" at year end can maximize tax benefits, and at the same time ensure that nonprofits are supported as demands on their missions continue to grow in choppy economic waters.

### Year-end giving deadlines are firm

Watch the calendar closely! Year-end can sneak up on all of us, and it's important not to miss key deadlines for accomplishing your charitable goals. Please reach out to our LVCF team to find out when certain transactions must occur to be completed during this tax year, including checks to a fund at the Community Foundation, which must be postmarked or hand-delivered no later than December 31. Gifts of marketable securities also need to be fully transferred by December 31, so please contact us in plenty of time for our team to process and receive the transfer.

