

Donating IRA assets to a charity



How it works

The provision, referred to as a qualified charitable distribution (QCD), allows retirees age 70½ and older to donate up to \$111,000 tax free from their IRA for 2026.¹ Generally, when you take a distribution from your IRA, it is treated as taxable income. Under this provision, made permanent in the 2015 federal spending and tax package, those assets are excluded from income if the distribution is made directly to a qualified charity.

The distribution is not included in your income, which can help avoid the potential negative consequences that regular IRA withdrawals in retirement can create, including taxes on Social Security benefits and increases in Medicare premiums. Distributions excluded from income are also equivalent to a 100% deduction.

Turn your required distributions into charitable donations

IRS rules mandate that individuals age 73 and older take RMDs from their IRA each year, regardless of whether the income is needed. These annual withdrawals are subject to ordinary income taxes. By making a charitable distribution from your IRA, you may be able to satisfy your RMD amount without reporting additional income.

This provision may be especially attractive for retirees who don't need all the income from their IRA to meet current living expenses. By donating the money to charity, you can enjoy the satisfaction of knowing that you are contributing to a worthy cause while effectively lowering your tax bill.

Is a charitable distribution from an IRA right for you?

Donating IRA assets can be a financially rewarding strategy for both you and the charity. As always, you should talk with your financial representative or tax advisor before making a decision that alters your tax situation. Following are several examples where it may be appropriate.

- Generally, in order to claim a charitable deduction, you must itemize your tax return. For retirees who no longer pay mortgage interest, the deductions may be too small to itemize. The provision offers the tax benefits of a charitable donation without having to itemize your deductions. In addition, recent tax law changes nearly double the standard deduction, which results in fewer taxpayers itemizing deductions and more opting to claim the standard deduction.
- Charitable deductions are limited by a taxpayer's income—generally up to a maximum of 60% of modified adjusted gross income. By directing your IRA distribution to a charity you can avoid this restriction. Also beginning in 2026, taxpayers will be subject to a 0.5% AGI floor before charitable donations will count as itemized deductions.
- If reporting additional income from a Required Minimum Distribution on Form 1040 increases your Medicare Part B premiums or negatively affects the taxability of your Social Security benefits, then making a charitable distribution from your IRA may be appropriate.
- Some states do not allow residents to deduct a charitable distribution. Making a donation to a charity directly from an IRA may provide a way to effectively claim a state tax deduction. Consult a tax professional for state-specific guidance.

1. While the passage of the SECURE 2.0 Act increases the age for required minimum distributions (RMDs) from age 72 to 73, the age requirement for QCDs remains age 70½.

Guidelines for donating IRA distributions to a charity

Eligibility	IRA account owner must be age 70½ or older at time of IRA distribution in order to take advantage of this provision. Rule applies only to traditional, rollover, and Roth IRAs; SEPs and SIMPLE IRAs are generally excluded. ² Distributions of non-deductible IRA contributions also do not qualify. The provision is also available to individuals who inherit an IRA, provided that they are at least 70½ years old.
Annual limit	Maximum amount of a taxpayer's qualified charitable distribution (QCD) that may be excluded from taxable income is \$111,000 per tax year and may include required minimum distributions (RMDs). The amount of the QCD is reduced by the cumulative amount of deductible IRA contributions made for all taxable years ending on or after the date the taxpayer attains age 70½.
Qualifications	Distribution must be made to a qualifying charity; private foundations and donor-advised funds are not eligible. Additionally, there is a one-time option to direct a QCD up to \$55,000 to a charitable trust or charitable gift annuity. Consult a tax professional for additional information.
Direct contribution	The IRA trustee or custodian must make the distribution directly to the charity or qualified entity. Distributions made payable to the IRA owner and transferred to the charity or qualified entity will not qualify.

2. A qualified charitable distribution is permitted from a SEP IRA or a SIMPLE IRA that is not considered "ongoing." Per IRS Notice 2007-7, a SEP IRA or a SIMPLE IRA is treated as ongoing if it is maintained under an employer arrangement under which an employer contribution is made for the plan year ending with or within the IRA owner's taxable year in which the charitable contributions would be made.

Talk to your financial representative

It's important to consider your tax situation before deciding whether to make a charitable contribution from your IRA. Be sure to work closely with your financial representative to determine whether this tax provision is right for you.

For more information on eligible charitable organizations, you can reference Publication 78 at www.IRS.gov.

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