

How to Make a Gift Using the

IRA Qualified Charitable Distribution

Q. What is an IRA Qualified Charitable Distribution and who is eligible to use it?

A. A qualified charitable distribution (QCD) is an otherwise taxable distribution from an IRA (other than an ongoing SEP or SIMPLE IRA) owned by an individual who is age 70½ or older that is paid directly from the IRA to a qualified charity. Through December 31, 2024, the amount that can be excluded from an IRA owner's reportable income is limited to a maximum amount (QCD maximum) of \$105,000 per taxpayer per year. Beginning in 2025, the QCD maximum will be indexed for inflation annually. The QCD maximum for an outright gift in 2024 is \$108,000.

Q. If I have inherited an IRA, can I take advantage of the tax-free IRA QCD?

A. Yes, provided you have reached the age of 70½ years old.

Q. Can I use funds withdrawn from other qualified tax-deferred retirement accounts for a QCD gift?

A. No. The provision only provides a benefit for owners of an IRA or Roth IRA. Other forms of retirement plans such as 401(k)s and 403(b)s, pensions, profit sharing plans, Keogh plans, and employer-sponsored SEP IRAs and Simple IRAs are not eligible. However, you may be able to roll assets from a nonqualifying retirement account into a traditional IRA in order to take advantage of the QCD provision. However, if you are currently taking distributions from a company-sponsored plan, you must first take your required minimum withdrawal for the year before doing a QCD gift and using the qualified charitable distribution in future years. Talk to your financial advisor and/or retirement plan administrator for details and advice.

Q. Can I direct a QCD gift from my Roth IRA?

A. Yes, but if you itemize deductions on your taxes, you will be better off taking a tax-free withdrawal from your Roth account and then making a gift to Bowdoin. Because you already paid income taxes on the funds you deposited in your Roth IRA, you can take advantage of any available charitable tax deduction on a gift made this way – but not if you use the IRA QCD. If you don't itemize deductions, the QCD gift may be more convenient for you, and you won't lose any tax benefits.

Q. If I direct a QCD gift from my IRA, how does this affect my required minimum distribution?

A. Once you reach the age of 70½, you can direct an IRA QCD in support of your philanthropy. Once you begin taking IRA distributions, you may deduct the amount of the IRA QCD gift(s) from the amount of your RMD. Note that you must begin taking your RMD when you reach age 73. For those who are 70½ and are not subject to the RMD who are continuing to make tax deductible contributions to an IRA, the maximum amount of a QCD gift is reduced by the amount of their tax-deductible contributions to their IRA.

Q. How do I make a QCD gift to Bowdoin?

A. Contact your IRA account administrator to discuss the best method for directing a QCD gift from your IRA to Bowdoin. The administrator can direct the QCD gift or provide advice about other methods. If the administrator handles the distribution, ask that the QCD gift be sent directly to Bowdoin College at the address below with your name on the memo line.

Q. If I direct an IRA QCD to Bowdoin, do I get a charitable tax deduction?

A. No. The IRA QCD allows individuals to direct up to the QCD maximum each tax year to qualified domestic charities and avoid paying income taxes on the distributed funds that were tax-deferred when the funds were deposited and while invested. As a result, you cannot take a charitable deduction. However, you will not be required to include the QCD in your gross income, thereby potentially avoiding any effect the distribution might have on your tax bracket and/or any limitations imposed on itemized deductions.

Q. My spouse also supports Bowdoin. Can we both take advantage of the IRA QCD?

A. Yes. The amount that can be excluded from income is limited to any amount up to the QCD maximum of \$105,000 per taxpayer per year through calendar year 2024 with the QCD maximum being adjusted for inflation annually thereafter. The QCD maximum for calendar year 2025 is \$108,000. As a married couple, each of you can donate up to the QCD maximum each tax year, provided that you each own at least one IRA and have reached age 70½.

Q. Do I have to pay state or local taxes on my IRA QCD?

A. You may – states and municipalities differ on whether you need to include the qualified charitable distribution in your taxable income.

Q. Can my IRA QCD be used with a corporate matching gift?

A. Possibly. Each corporate matching gift program is different. You should check with your matching gift program.

Q. How do I get proof of my QCD gift and how do I capture the gift on my tax return?

A. You will receive a 1099-R from your IRA plan administrator reporting the gross distributions from your IRA account during the tax year. To report a qualified charitable distribution on your Form 1040 tax return, you generally report the full amount of the QCD on the line for IRA distributions. On the line for the taxable amount, enter zero if the full amount was a QCD gift. Enter "QCD" next to this line. See the Form 1040 instructions on the IRS website (www.irs.gov) for additional information. You must also file Form 8606, Nondeductible IRAs, if: (1) you made the QCD gift from a traditional IRA in which you had basis and received a distribution from the IRA during the same year, other than the QCD; or (2) the QCD was made from a Roth IRA. Bowdoin will provide you with a gift acknowledgment letter.

Q. Can I direct an IRA QCD to Bowdoin and establish a life income gift with it?

A. With the enactment of the SECURE 2.0 Act, IRA owners who are age 70½ years or older are allowed to make a one-time qualified charitable distribution for a charitable gift annuity (CGA) or charitable remainder trust (CRT) limited to \$53,000 through calendar year 2024 and adjusted for inflation annually thereafter. The QCD amount for a CGA or CRT in 2025 is \$54,000. Bowdoin's gift minimum for a CGA is \$10,000, so a qualified IRA owner could make a QCD gift to establish one or more annuities up to the authorized limit for a QCD-funded life income gift provided that the transaction(s) are completed in one tax year. Bowdoin's gift minimum for a CRT is \$100,000 so a qualified IRA owner and spouse could each make QCD gifts up to the authorized limit (\$53,000 in 2024 and \$54,000 in 2025) to establish a CRT. If you are interested in using your QCD to establish a life income gift, please contact the Office of Gift Planning as this new legislation is complex.

Q. How can I stay informed about the inflation adjusted amount of IRA QCD each year?

A. Contact Bowdoin's Office of Gift Planning by emailing giftplanning@bowdoin.edu or calling 207-725-3172. Additionally, you can visit bowdo.in/giving-methods to verify the latest information about the IRA QCD giving method.

Q. Who can I talk to someone at Bowdoin about my IRA QCD?

A. Contact Bowdoin's Office of Gift Planning by emailing giftplanning@bowdoin.edu or call 207-725-3172.

Please consult your tax or financial advisor regarding your specific circumstances.