

How to Make a Gift Using the IRA Qualified Charitable Distribution

- Q. What does it mean that the IRA Qualified Charitable Distribution (IRA QCD) is now permanent?**
A. As a result of the enactment of federal legislation entitled “Protecting Americans from Tax Hikes Act of 2015”, the IRA QCD provision (formerly known as the IRA Charitable Rollover) has been permanently authorized and is no longer subject to annual Congressional action. This means people aged 70 ½ years or older with IRA assets can reliably plan to use them to accomplish their philanthropic goals.
- Q. How much can I give and still take advantage of the tax-free benefits of the law?**
A. The maximum amount that can be excluded from an IRA owner’s reportable income is limited to \$100,000 per taxpayer per year.
- Q. Who can exclude IRA QCDs from taxable income?**
A. The exclusion applies to individuals who have reached age 70 ½ as of the date of the QCD gift.
- 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 \$100,000 per taxpayer per year. As a married couple, you can together donate up to \$200,000 in each tax year, provided that you each own at least one IRA and have reached age 70 ½.
- 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. 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 \$100,000 to qualified domestic charities and avoid paying income taxes on the distributed funds that were deferred when the funds were deposited and while the funds have been invested in the IRA. 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. If I direct a QCD gift from my IRA, how does this affect my required minimum distribution?**
A. On January 1, 2020, the SECURE Act was signed into law which, among other things, increases the age at which an individual must begin taking required minimum distributions (RMD) from 70 ½ to 72. Those individuals who were 70 ½ before January 1, 2020, are grandfathered under the prior law and may deduct the amount of their IRA QCD gift(s) from the amount of their RMD. Individuals who turn 72 after the effective date of the SECURE Act may also deduct the amount of their IRA QCD gifts from the amount of their RMD. For those who are 70 ½ 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 (\$100,000) is reduced by the amount of their tax deductible contributions to their IRA. With the passage of the CARES Act in March 2020, RMDs were waived for 2020. The COVID-19 stimulus legislation, the Consolidated Appropriations Act passed in December 2020 did not extend the RMD waiver.
- Q. Does Bowdoin or my IRA plan administrator provide me with 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 my IRA QCD gift satisfy an outstanding pledge to Bowdoin or establish or add to an named endowed fund?

A. Yes, you may satisfy a current pledge, make a new gift, or add to an existing endowed fund at Bowdoin.

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

A. No. You can only fund outright gifts. The federal law authorizing the IRA QCD does not allow it to be used to fund life income gifts (e.g., charitable gift annuities or charitable remainder trusts). However, you could take a distribution from your IRA and then use it to fund a life income gift. This would entail taking the distribution into income and then using any available charitable tax deduction. Talk with your advisors about whether this is a good option for you.

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. 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 401(k), a 403(b) or a Keogh plan 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: 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: Can I talk to someone at Bowdoin about my IRA QCD?

A. Contact Bowdoin's Office of Annual Giving by emailing oag@bowdoin.edu or call 207-725-3437, if you have further questions.

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

Office of Annual Giving, Bowdoin College, 4100 College Station, Brunswick, ME 04011

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