CPA Advantage 6 | Qualified Charitable Distributions (QCD) | Transcript

Andy Bertke & Ryan Lauer

Ryan Lauer:

If you are charitably inclined, and especially if you are into your 70s, you have a unique opportunity to do some charitable giving. If you're over aged 70 and a half, you're able to do what's called a qualified charitable distribution or a QCD. Andy, how does that, what are the mechanics there?

Andy Bertke:

QCDs are a great tool, Ryan. It's wonderful because the check or the money comes right out of your IRA and goes right to the charity. You don't have to pay tax on it. So is it a double benefit? No, but you're not paying tax, which doesn't increase your AGI and everything else, which allows a lot of other deductions possibly to become deductible.

Ryan Lauer:

Exactly. Yeah. So let's say you wanted to donate $10,000 to your favorite charity. If you are under age 70 and a half, you've really got one option. Basically write that check to them. If you are over age 70 and a half, you can have it sent directly from your IRA and it avoids tax altogether. But going back to the folks under age 70 and a half, if all they have are dollars in their IRAs to be able to make this payment or this funding to this organization, they have to take the dollars out of their retirement accounts, pay tax on it, and then write the check after that. But that QCD avoids that tax altogether.

Andy Bertke:

Absolutely. Because in that scenario where you took the $10,000, that's going to be included in your adjusted gross income.

Ryan Lauer:

Right, yeah.

Andy Bertke:

Then maybe you itemize, maybe you don't. If you don't itemize, you're not going to get that charitable deduction on Schedule A.

Ryan Lauer:

Yeah, exactly right. The itemize is key. Everybody thinks, "Oh, I wrote a check to charity. I'm going to get a tax deduction." Only if you itemize.

Andy Bertke:

Correct.

Ryan Lauer:

So ultimately, if you have that ability, if you're again over age 70 and a half and can do that direct payment to the charitable organization through that QCD, that's a big opportunity.

Andy Bertke:

Statutory grace. They gave us a deduction, take advantage of it.

Ryan Lauer:

That's right. That's right.