LESSON · TAX & WITHDRAWALS

Qualified Charitable Distributions: Give to Charity, Skip the Tax

If you're charitably inclined and facing RMDs, a Qualified Charitable Distribution may be the single most efficient dollar you give all year.

Read time: 7 minutes **Level:** Beginner **Includes:** Knowledge check

If you're charitably inclined and also facing Required Minimum Distributions, a Qualified Charitable Distribution (QCD) is one of the few genuine "have it both ways" moves left in the tax code: it lets you satisfy some or all of an RMD while sending that money directly to charity — without the withdrawal ever counting as taxable income in the first place.

How a QCD actually works

Once you're 70½ or older, you can instruct your IRA custodian to send funds directly from your IRA to a qualified 501(c)(3) charity — up to $105,000 per person in 2026 (the limit is indexed for inflation). The money never passes through your hands and never shows up as income on your tax return. If you're 73 or older and subject to RMDs, a QCD counts toward that year's RMD, dollar for dollar.

Worked example

Someone age 75 has a $30,000 RMD due this year and typically donates $10,000 a year to their church and a local food bank. If they simply take the $30,000 RMD and then write a $10,000 check to charity from their own pocket, all $30,000 is taxable income, and the $10,000 donation is only useful as an itemized deduction (which many retirees no longer qualify for after taking the standard deduction). If instead they direct $10,000 of the RMD straight to those charities as a QCD and take the remaining $20,000 as a normal withdrawal, only $20,000 is taxable — the $10,000 QCD never appears as income at all. That's a bigger tax benefit than an itemized deduction would have been, and it applies whether or not they itemize.

Why a QCD beats "donate normally, then deduct it"

Since the 2017 tax law nearly doubled the standard deduction, most retirees no longer itemize — which means a normal charitable donation often provides *no* tax benefit at all. A QCD sidesteps that problem entirely because it reduces your income directly, before the standard-deduction-vs-itemizing decision is even relevant. It also lowers your Adjusted Gross Income and MAGI, which can help avoid IRMAA surcharges (see that lesson) and reduce how much of your Social Security benefit is taxable — benefits an itemized deduction can't touch.

The rules that trip people up

The money must move directly from custodian to charity

If the distribution is paid to you first and you then write a check to the charity, it doesn't qualify as a QCD — it's just a taxable withdrawal followed by a personal donation. The custodian must send the funds directly, usually via a check made out to the charity (sometimes mailed to you to forward, which is still fine as long as it's payable to the charity, not to you).

Only certain charities qualify

The receiving organization must be a 501(c)(3) public charity. Donor-advised funds, private foundations, and supporting organizations generally do **not** qualify for QCD treatment, which surprises people who route most of their giving through a donor-advised fund.

Age 70½ vs. age 73 — two different thresholds

QCDs are available starting at age 70½, a full two-and-a-half years before RMDs currently begin at 73. That gap is easy to miss: someone 71 or 72 can already be doing QCDs even though they have no RMD yet to offset, simply to keep future IRA balances (and future RMDs) lower.

A QCD counts toward the RMD only if it happens before the RMD is otherwise satisfied

If you've already withdrawn your full RMD for the year through ordinary distributions, a later QCD in that same year still gets the tax exclusion, but it no longer offsets an RMD you've already taken. For anyone trying to use a QCD specifically to cover the RMD, timing it early in the year (before other withdrawals use it up) avoids this ordering trap.

QCDs and 401(k)s

QCDs can only be made from IRAs (including inactive SEP and SIMPLE IRAs), not directly from a 401(k), 403(b), or similar employer plan. Someone who wants to use this strategy but still has an old 401(k) generally needs to roll it into an IRA first (see the 401(k) rollover lesson) before QCDs become available on that money.

Before using QCDs this year

- [ ] Confirm you're 70½ or older — QCDs are available before RMDs start at 73.
- [ ] Confirm the receiving organization is a qualifying 501(c)(3) public charity, not a donor-advised fund or private foundation.
- [ ] Have the custodian send funds directly to the charity, not to you first.
- [ ] If trying to offset this year's RMD, process the QCD before taking the rest of the RMD as a normal withdrawal.
- [ ] Remember QCDs only come from IRAs — roll over an old 401(k) first if that's where the money currently sits.

KNOWLEDGE CHECK

Test what you just learned

Answer four quick questions to test what you just learned.

1. Starting at what age can someone begin making QCDs?

> A. 73, when RMDs begin
>
> B. 70½ — two and a half years before RMDs currently start
>
> C. 65, when Medicare begins

2. Why can a QCD be better than donating normally and itemizing?

> A. It isn't — they provide the same tax benefit
>
> B. Most retirees no longer itemize, so a normal donation often provides no tax benefit, while a QCD reduces income directly regardless of itemizing
>
> C. QCDs allow a larger charitable deduction than cash gifts

3. What's required for a distribution to qualify as a QCD?

> A. The retiree can receive the funds and forward them to charity within 90 days
>
> B. The funds must move directly from the IRA custodian to a qualifying 501(c)(3) public charity
>
> C. The charity must be a donor-advised fund

4. Can a QCD be made directly from a 401(k)?

> A. Yes, from any employer retirement plan
>
> B. No — QCDs only come from IRAs; a 401(k) generally needs to be rolled into an IRA first
>
> C. Only if the 401(k) balance is under $50,000

Blueprint Tomorrow provides educational planning tools, not individualized investment, tax or legal advice. Nothing in this lesson is a recommendation to take any specific action with your accounts. Rules referenced here can change — confirm current-year figures and thresholds with a qualified tax professional before acting.