

Qualified Charitable Distribution – 2020

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 70-1/2 or over that is paid directly from the IRA to a qualified charity. The QCD counts toward the individual's Required Minimum Distribution (RMD)

Donating to a charity using a qualified charitable distribution is a direct transfer of funds from an IRA custodian, payable to a qualified charity, as described in the QCD provision in the Internal Revenue Code. IRA custodians normally require written instructions for transferring funds to anyone other than the IRA owner and a signature verification stamp from a bank or credit union.

The IRA custodian does not show the distribution as a QCD on Form 1099-R. It is reported as a normal taxable distribution.

Proceed as follows for reporting QCD deductions from IRA income in TaxSlayer:

1. Go to 1099 R IRA/Pension Distribution within the Income section of TaxSlayer
2. Fill in gross distribution in block 1 of the 1099-R form
3. Override TaxSlayer block 2 and fill in the correct taxable amount (gross distribution minus QCD)
4. Check taxable amount not determined block and fill in all other information on the 1099-R form
5. Press continue when TaxSlayer warns that block 1 and 2 differ
6. Click on Non-Taxable 1099R Distributions in the retirement menu
7. Check the QCD box at the top of the page.

Note 1: QCDs may be advantageous to taxpayers (who have IRA's and are over age 70-1/2) because the standard deduction for most taxpayers will be higher than itemized deductions on Schedule A. QCDs have an additional advantage in that it reduces gross income, which can reduce **taxable** social security income reported on 1040 line 20b and possibly remain below various AGI thresholds that trigger phase out of nonrefundable/refundable credits and/or raise premiums for Medicare and Plan D drug plans.

Note 2. Guidance provided by Idaho Tax Commission during the summer of 2018 indicate that QCDs sent to Qualified Charitable Education and Youth organizations within the state of Idaho also qualify for up to 50% credits on form 39R (double dip)