

What you need to know about qualified charitable distributions

Protecting Americans from Tax Hikes Act of 2015 was signed by President Obama on December 18, 2015. One of its provisions makes qualified charitable distributions (QCDs) permanent.

QCD provisions

IRA owners and beneficiaries who are age 70½ or older can take advantage of this opportunity. You may distribute up to \$100,000 per year directly from your Traditional IRA to a 501(c)3 nonprofit with no federal tax consequences. Gifts made to grant-making foundations, donor advised funds, or charitable gift annuities are excluded from these rules. QCDs may satisfy all or part of your Required Minimum Distribution (RMD) or exceed it.



Key considerations

- QCDs are IRA distributions that would otherwise be taxable; therefore, Roth IRA distributions may or may not qualify. However, QCDs are not included in your Adjusted Gross Income (AGI), so using this strategy can lower your income and may possibly decrease the tax you pay on your Social Security income. This may also have a positive effect on your taxes with regard to deductions, exemptions, and tax credits. Check with your tax advisor to determine how lowering your AGI may benefit you.
- Although you cannot take a charitable deduction for a QCD, reducing your AGI may provide a better tax benefit. If you normally make donations to charities anyway, you may now want to consider making those donations from your IRA.
- QCDs are generally not available from SEP or SIMPLE IRAs where contributions are still being made.

- Remember that the financial institution will need to make the check payable directly from your IRA to a qualifying charity to have this strategy work for you. You may want to mail the check to the charity yourself, instead of Wells Fargo Advisors mailing it, to ensure that the charity acknowledges the gift is from you.
- QCDs require no special reporting by your IRA custodian; you will receive an IRS form 1099-R for the distribution. Please provide this form to your tax advisor during tax preparation time. Any questions should be referred to your tax professional.



Talk to Wells Fargo Advisors

At Wells Fargo Advisors, we know that many older investors will welcome this opportunity to make a difference in their communities.

Contact your Financial Advisor for help in taking advantage of this legislation to benefit your favorite charity.

INVESTMENTS AND INSURANCE PRODUCTS:

NOT FDIC INSURED	NOT BANK GUARANTEED	MAY LOSE VALUE
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