

## QUALIFIED CHARITABLE DISTRIBUTIONS

Effective until the end of 2007, individual retirement account holders who are 70 ½ or older can make non-taxable distributions (assuming all initial contributions to the IRA were characterized as deductible) from their IRA directly to a qualified charity up to an amount of \$100,000. These can take the place of required minimum distributions for many individuals.

Previously, individuals would make distributions from their IRA and include the amount in their taxable income. The tax benefit would come as an itemized deduction limited to one-half of an individual's AGI (or joint return's AGI). There was no tax benefit for individuals (or joint filers) who did not itemize or for individuals who lose deductions based on increased AGI.

A charity is considered qualified if they abide by the guidelines listed in IRC Section 170(b) (1) (A). Something to keep in mind is that not every charity/charitable organization will apply; charities characterized by IRC Section 509(a) (3) – otherwise referred to as a “supporting” charity, donor advised funds and private foundations are not available for this tax benefit. If you have questions regarding whether the organization you are considering qualifies contact the charity or director of the organization prior to contributing any assets.

Keep in mind one technical issue: the charitable distribution must occur after the individual attains age 70 ½ (a distinct difference when comparing distributions taken throughout the year that qualify toward the total year's required minimum distribution even if made before the individual technically hits age 70 ½).

Important points to remember:

- Distributions have to be made straight to the charity; the account holder cannot accept the funds prior contributing to the charity (I.e. the check from the custodian of the assets must be made payable to the charity and not the individual)
- According to section 408(d) (8) (B), individual retirement accounts (Traditional or Roth) are only allowed for the QCD. 403(b), 401(k), SEP, Simple, profit sharing and pension plans are not eligible.
- Donors must have documentation from the charity that would otherwise meet the requirements for a full charitable income tax deduction under standard circumstances.

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