



# How to Make an IRA Gift to Charity

By Lutheran Foundation of the Southwest

Each year, the IRS reminds traditional IRA owners over the age of 70 that they can make charitable gifts directly from their accounts. This type of gift is known as a **Qualified Charitable Distribution (QCD)**. For those who have reached age 73, a QCD offers the added benefit of fulfilling part or all of your **Required Minimum Distribution (RMD)** for the year.

## 1. How to Set Up a QCD

- **Contact Your Custodian:** Reach out to your IRA custodian to begin the process.
- **Direct Payment:** To remain tax-free, the payout must be made directly to a qualified nonprofit.
- **Check Requirement:** The gift must be made via a check payable to the nonprofit. Payments made to the IRA owner or electronic transfers to the owner do not qualify.
- **Eligibility & Limits:** The owner must be at least 70½ years old. For **2026**, the individual limit has increased to **\$111,000**; if both spouses have their own IRAs and meet the age requirement, they may distribute a combined total of up to **\$222,000**.
- **Tax Deduction:** Because QCDs are not taxable income, you cannot claim a separate charitable deduction for the gift.

## 2. How to Report Your QCD

- **1099-R Form:** You will receive an IRS Form 1099-R from your custodian showing the distribution in Box 1.
- **Form 1040:** Typically, you report the distribution on Line 4 of your 1040.
- **Filing Details:** Enter the total distribution on Line 4a. If the full amount was a QCD, enter zero on Line 4b and write "QCD" next to Line 4 to ensure the amount is not taxed.

## 3. How to Receive an Acknowledgment

- **Written Receipt:** You must obtain written acknowledgment from the nonprofit before filing your tax return.
- **Required Language:** The acknowledgment must state the date and amount of the gift and clarify that the donor received "no goods or services in exchange for the gift".
- **Record Keeping:** Keep this acknowledgment with your tax records.

**Pro Tip: The "First Dollars Out" Rule** IRS rules dictate that the first money you withdraw from your IRA each year is automatically applied toward your RMD. If you take a personal withdrawal early in the year to satisfy your RMD and then decide to make a QCD later, you cannot "undo" the taxable status of that first withdrawal. To maximize tax benefits, process your QCD **early in the year** or before you take any personal distributions. This ensures your charitable gift satisfies the RMD and keeps that amount out of your taxable income.

**Pro Tip:** The Lutheran Foundation can help you facilitate the QCD and walk you through these steps. Start this process early to ensure the charity receives and processes the check by **December 31** to count toward your 2026 RMD.

### **Your Legacy Starts Today.**

The Lutheran Foundation of Southwest can help you create comprehensive legacy plans for your family, ministry, and other 501(c)(3) nonprofits that are important to you.

Our services for individuals and families include charitable bequests, endowments, donor-advised funds, and life income agreements.

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