



## QCDs to Fund a Charitable Gift Annuity

**As of 2023, taxpayers 70 ½ or older can use a Qualified Charitable Distribution (QCD) to fund a charitable gift annuity (CGA).** Previously, QCDs could only be used to make an outright gift. Donors now have an opportunity to make a QCD and receive income in return. Below is important information to know.

### Is there a dollar limit?

The dollar limit is \$53,000. The limit is an aggregate, meaning a donor can fund multiple charitable gift annuities but the total must not exceed \$53,000 in QCDs. The \$53,000 will count towards a donor's annual \$105,000 QCD limit. In other words, a donor could fund a \$53,000 charitable gift annuity and still make a \$52,000 QCD outright gift. Note that these limits may be adjusted for inflation beginning in 2024 and beyond.

### Is there a time limit?

Yes. If a donor chooses to use a QCD to fund a gift annuity, they must use up the full extent of the opportunity within the same year. For example, in 2024 if a donor chooses to use a \$30,000 QCD to fund a gift annuity, they have until the end of 2024 to use QCDs to fund another \$23,000 in gift annuities. If the donor does not use up the entire \$53,000 opportunity in 2023, there will be no carry forward or rollover to 2025 and beyond.

### Will using a QCD to fund charitable gift annuity satisfy RMD?

Yes. If a donor is subject to RMD, a QCD to fund a gift annuity will count towards RMD. Note that the minimum age for RMDs is 73. Because this is later than the minimum age of 70 ½ for a QCD, it is possible for a donor to make a QCD (as an outright gift or to fund a gift annuity) that will not satisfy the donor's RMD if the donor is not then subject to RMD.

### Will a QCD to fund a charitable gift annuity result in a charitable income tax deduction?

No. QCDs, whether used to make an outright gift or fund a gift annuity, do not provide the donor with a charitable income tax deduction. However, the QCD is treated as a tax-free distribution from an IRA, and in this way provides income tax savings.

### How will the payments from a charitable gift annuity funded with a QCD be taxed?

Payments from a charitable gift annuity funded by a QCD will be taxed as ordinary income.

### Who can be designated as an annuitant on a QCD-funded charitable gift annuity?

Only a donor and the donor's spouse can be named as annuitants on a QCD charitable gift annuity.

### Are there other limitations or considerations to be aware of?

- Annuity payments cannot be deferred.
- A QCD cannot be combined with other assets to fund the same gift annuity.
- Spouses can combine QCDs to fund a joint gift annuity, which would allow for a jointly funded QCD charitable gift annuity of up to \$106,000.
- A QCD charitable gift annuity must be non-assignable, meaning that a donor may not one day give up or assign payments back to the charity.
- 5% is the minimum rate for a charitable gift annuity funded by a QCD.