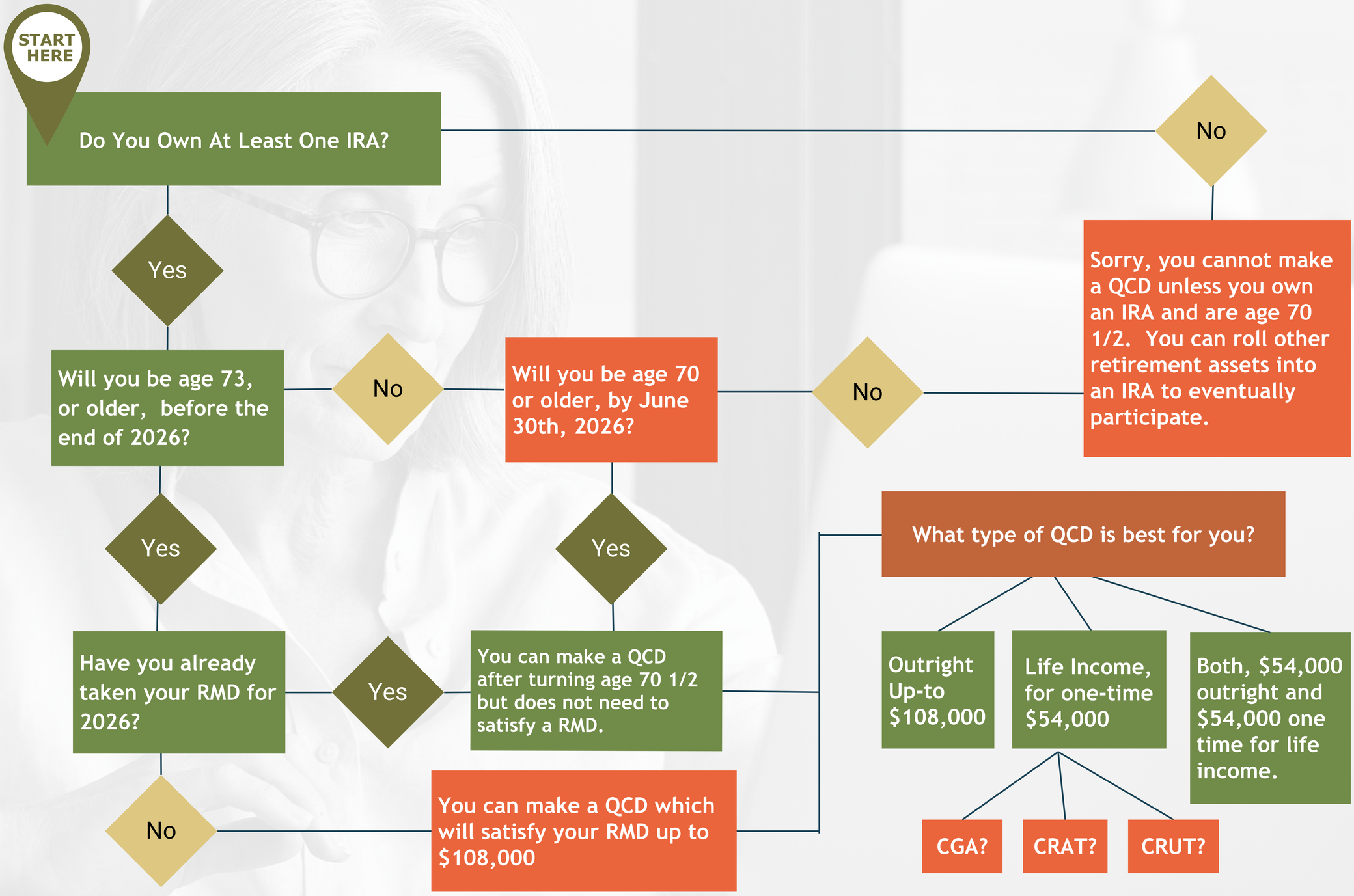
Desert Southwest
UNITED METHODIST FOUNDATION

2026: Can I make a Qualified Charitable Distribution?



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The SECURE Act 2.0 Definitions

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Qualified Charitable Distribution (QCD):

A QCD is a direct transfer of funds from your IRA custodian, payable to a qualified charity. QCDs can be counted toward satisfying your required minimum distributions (RMDs) for the year as long as specific rules are met. The age for eligibility to make a QCD remains at 70½. QCDs cannot be made to Donor Advised Funds (DAFs), private foundations, or supporting organizations.

Individual Retirement Account (IRA)

An IRA is a tax-advantaged investment account designed to help you save toward retirement. The QCD is only available for charitable rollovers from IRAs. Donors may also roll over assets from a 401(k) account into a traditional IRA and, after that, gift the IRA assets to charity using a QCD.

Charitable Gift Annuity (CGA):

A charitable gift annuity is a contract between a donor and a charity with the following terms: As a donor, you make a qualified distribution to the charity, and in return, you receive a fixed income from the charity for the rest of your life. Beginning in 2023, donors can fund a one-time CGA from a QCD for up to $54,000. If you are married, you can also establish income from the CGA for you, your spouse, or both. The income is taxed to the annuitant(s) as ordinary income. Annuitant(s) receive a 1099 from the issuing charity for each tax year. Two spouses could make QCDs up to 54k each to establish one gift annuity contract.

Required Minimum Distribution (RMD):

(RMDs) are amounts that U.S. tax law requires one to withdraw annually from traditional IRAs and employer-sponsored retirement plans. The Internal Revenue Code's precise term is "minimum required distribution." Beginning Jan. 1, 2023, the starting age will rise from 72 to 73. The SECURE Act 2.0 will eventually increase the RMD age to 75 in 2033.

Charitable Remainder Annuity Trust (CRAT):

Charitable remainder annuity trusts (CRATs) distribute a fixed annuity amount each year based on the initial $54,000. If you are married, you can also establish income from the CRAT for you, your spouse, or both of you. The income is taxed to the beneficiary as ordinary income. The income beneficiary receives a K-1 from the trustee for each tax year.

Charitable Remainder Unitrust (CRUT):

Charitable remainder unitrusts (CRUTs) distribute a fixed percentage based on the balance of the trust assets revalued annually on December 31 of each year. If you are married, you can also establish income from the CRUT for you, your spouse, or both of you. The income is taxed to the beneficiary as ordinary income. The income beneficiary receives a K-1 from the trustee for each tax year.

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