

## QCD Update

**Quick-Take:** There are a few new changes regarding qualified charitable distributions (QCDs) from traditional IRAs.

**Maximum QCD Contribution:** The maximum amount that can be directly transferred from a traditional IRA to charity increases for 2025 to \$108,000, indexed for future inflation. Reminder: no QCD can be made to a donor advised fund or a private foundation.

**CRT-CGA:** The maximum, one-time, QCD transfer to a charitable remainder trust (CRT), a split-interest entity, or to a charitable gift annuity (CGA) is \$54,000. Due to the cost to set up and administer a CRT, it is highly unlikely that a QCD will be made to a CRT, particularly since the CRT can only hold the QCD amount, i.e., no existing CRTs can receive a QCD. That limitation means that probably only a CGA will be a viable candidate to receive a donor's QCD.

**Code Y:** In the past, IRA custodians were not required to report a QCD differently than any other IRA distribution. The QCD was coded like any other IRA distribution on Form 1099-R. This has now changed, starting in 2025. In April, the IRS released draft instructions for the 2025 Form 1099-R. The draft form introduced a new Code Y specifically for QCDs. While it was only released as a draft Form, the IRS then released the final version of the actual 2025 Form 1099-R with Code Y included.

**Conclusion:** The new Code Y will be a helpful reminder to IRA owners and their tax advisors to make sure that the tax benefits of a QCD are claimed. However, traditional IRA owners who make their charitable donations using a QCD will need to make sure that their donation satisfies all the other QCD conditions and rules, e.g., age 70 ½, a direct distribution from the IRA custodian, etc. The receipt of a Form 1099-R with Code Y from the IRA custodian still will not guarantee that the donation qualifies for tax-free treatment.

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