

A New Source for QCD's?

Quick Take: Currently a qualified charitable distribution (QCD) can only be made from an IRA. That limitation on the source of funding a QCD might change if Congress enacts a bill that it is currently studying.

Background: Recently the proposed Charity Parity Act was introduced in both the House and Senate with co-sponsors from both political parties, so there is considerable bipartisan support for the legislation. The claimed purpose for the Charity Parity Act is to provide parity between IRAs and qualified plans. [S. 317.]

QCDs: Currently a donor can exclude up to \$111,000 per year from his/her taxable income with a contribution that is a qualified charitable distribution, or QCD. The Legacy IRA Act, which is part of the SECURE 2.0 Act expanded the QCD contribution rules, which allow retirees (over the age 70 ½) to make tax-free charitable gifts directly from their IRA to a charity, including a one-time election for life-income split interest gifts using their traditional IRA. [Direct gifts to private foundations, supporting organizations or donor advised funds (DAFs) are prohibited, though.] QCDs cannot be made directly from a qualified plan like a 401(k) account, a 403(b) annuity, or an IRC 457 deferred compensation plan. Only IRAs can be the source of funds that are used to make the direct gift to charity and qualify as a QCD. To navigate this limitation, funds have to first be rolled out of the qualified plan account to a traditional IRA, and then from the traditional IRA directly to the charity. Taking this circuitous route to make a charitable gift takes time, may incur transfer fees charged by a broker or the receiving IRA custodian, while it adds additional administrative burdens.

QCD Growth: QCDs are becoming more popular to carry out philanthropy. FreeWill concluded in a recent study that QCD giving has grown substantially over the past couple of years, reporting a 56% increase in 2024 and a 47% increase in 2025. This may be why several national nonprofits and the American Retirement Association are strongly supporting the adoption of the Act.

Charity Parity Act: If enacted, the Charity Parity Act would permit a direct charitable gift from a qualified plan account to a charity and thus qualify as a QCD, and also possibly

satisfy the donor's required minimum distribution (RMD) obligation for the year. Senate Bill 317, also called the Charitable Act, would provide more favorable tax treatment for charitable contributions.

Conclusion: As Congress continues to cut back on federal program grants and entitlements, it should come as no surprise that the shortfall in that governmental support will have to be met through local charities and nonprofit organizations. Any way to help those local charities to meet the increasing needs and demands of citizens should be welcome news. Hopefully, the QCD rules will be expanded even further by the Charity Parity Act as a step in filling the void left by governmental cutbacks.

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