



IRA QCD to Life Income Gift **FACT SHEET**

You may be aware that the IRS permits **Qualified Charitable Distributions** (QCDs)—charitable donations from individuals’ IRAs that reduce the **Required Minimum Distribution** (RMD) for the year in which the gift is made but don’t count as taxable income, as normal RMDs do.

Until now, QCDs could only be used for outright gifts or pledge payments. As of January 1, 2023, donors can use a QCD to fund life income gifts to Princeton under new rules passed as part of the Consolidated Appropriations Act, 2023. This new option permits an IRA owner to retain an income stream through a life income gift such as a charitable gift annuity or charitable remainder trust that he or she funds from their IRA.

RULES AND FAQs:

Who is eligible? IRA owners age 70½ or older.

How much can I give? Each person can give up to \$55,000—just once in his or her lifetime—from an IRA for a life income gift with a public charity like Princeton.

What is a life income gift? A life income gift begins with a donor irrevocably giving assets to an eligible charity (like Princeton) while retaining the right to receive income for life. The most common life income gifts are charitable gift annuities and charitable remainder trusts.

How much income will I receive? You will receive income of at least 5% each year for life. Most alumni and friends qualify for higher charitable gift annuity rates. Please contact Gift Planning to request a personalized illustration of your rate and income amount.

Do I get a tax deduction? No, QCDs for outright gifts or life income gifts are not allowed as income tax deductions. On the bright side, QCDs do count towards your annual RMD but not your taxable income.

My spouse and I both have IRAs. We're both over 70½. Can we each put \$55,000 into one life income gift for both of us, so the surviving spouse will get payments based on the whole \$111,000? Yes! Each spouse should be able to contribute up to \$55,000 from their own IRA in a single gift that would pay both of them income for life, based on interpretations of the new QCD rules by experts in the field.

Will any of my IRA-funded life income gift payments be tax-free or tax-advantaged? No, all payments from a life income gift funded with a QCD will be taxable as ordinary income.

Will I have to pay state income tax on the QCD amount I transfer from my IRA for a life income gift? Each state has its own rules about taxing income. You should consult your own tax advisor to see how this works in your state and your situation.

Can I name others to receive payments from an IRA QCD CGA or QCD CRT? No, a donor can name only him- or herself and/or a spouse to receive payments.

Can a donor fund a deferred/flexible deferred or college annuity with a QCD? No, but the legislation does allow for a CGA with annual payments beginning one year from the date of the distribution.

How do I make a QCD CGA gift? Princeton's Gift Planning team will assist you with the process. Importantly, the funds must go directly from your IRA custodian to Princeton; the funds cannot first be distributed to you, the plan's owner, and then passed along to Princeton. Most IRA custodians have online forms for you to request the QCD to Princeton. Some plan owners have check writing ability against their IRA accounts. In such cases, a donor could write a check directly to the charity to establish the gift. Please contact Gift Planning before authorizing a QCD so we can work with you on setting up your CGA and transferring IRA funds properly.



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