

# WHAT IS A QUALIFIED CHARITABLE DISTRIBUTION?

## Details and guidelines for financial professionals

A Qualified Charitable Distribution (QCD) is a direct transfer of funds from an eligible IRA to an IRS-qualified charitable organization. When processed according to applicable guidelines, the distribution may be excluded from the client's taxable income.

## ELIGIBILITY REQUIREMENTS

### Client eligibility

- Client must be age 70½ or older on the date of distribution

### Eligible plans

- Traditional IRAs
- Stretch/Inherited IRAs
- SEP and SIMPLE IRAs (*if the client is no longer contributing*)

### Ineligible plans

- Qualified plans such as a 401(k) or 403(b)
- SEP and SIMPLE IRAs (*if the client is actively contributing*)

### Distribution limits and guidelines

- In 2026, the maximum distribution is \$111,000 per individual across all QCDs — the IRS updates this amount annually.
- A QCD may satisfy all or part of a Required Minimum Distribution (RMD).
- Clients may contribute up to the annual maximum regardless of the RMD amount.
- Amounts exceeding the RMD or penalty-free withdrawal amount may incur surrender charges and Market Value Adjustment.
- Up to five QCDs may be processed per calendar year.
- Systematic QCDs are not permitted; a new request must be submitted each year.
- The transaction is processed as a withdrawal using distribution code QCD.
- No federal or state income tax withholding applies.
- The distribution must be payable directly to the charity.
- If the client is issuing a check, the charity's member or participation ID must be included on the memo line.
- The QCD must be processed and released by the end of the calendar year.

### Charity eligibility

- Must be an IRS-qualified 501(c)(3) organization
- Client must confirm eligibility with the charity directly

# DOCUMENTATION AND TAX REPORTING

## Required documentation

The following must be received and in good order before processing:

- Completed, signed and dated EquiTrust QCD Request Form, including:
  - Charity's legal name and mailing address
  - Charity's member or participation ID referenced on the check memo line
  - Requested distribution amount

Please note, a new form will be required for each distribution.

## Tax reporting

- EquiTrust reports the distribution on **IRS Form 1099-R** as a qualified charitable distribution (Code Y).
- Clients are responsible for claiming QCD treatment on their tax return.

# SUMMARY

## Key takeaways

- QCDs may satisfy RMDs if applicable.
- QCDs are not eligible for rollover.
- Accuracy is critical to avoid tax reporting issues.
- Do not provide tax advice to clients or the field.

# FREQUENTLY ASKED QUESTIONS (FAQs)

**1. Does a Qualified Charitable Distribution (QCD) satisfy Required Minimum Distributions (RMDs)?**

Yes. Any QCD your client takes will count toward the annual RMD. The RMD obligation is fully satisfied only if the total amount of QCDs equals or exceeds the total RMD for the year. To apply to the current year's RMD, the QCD must be completed by the RMD deadline, generally December 31.

Note: Withdrawals that exceed the contract RMD amount may be subject to surrender charges and Market Value Adjustment. Review contract details before submitting a QCD request.

**2. If a client takes an RMD and then pays the charitable organization directly, will it qualify as a QCD?**

No. To qualify as a QCD, the distribution must be paid directly from EquiTrust to the charitable organization. Payments made to your client first and then forwarded to a charity do not qualify.

**3. Can clients split QCDs among multiple charities?**

Yes. QCDs may be divided among up to five charities per year. Each charity requires a separate QCD request.

**4. Can taxes be withheld when requesting a QCD?**

If the distribution qualifies as a QCD, the withdrawn amount is not subject to income tax.

**5. Can a client set up a systematic withdrawal to be sent directly to a charity?**

No. A QCD must be processed as a one-time withdrawal request using form ET-QUAL-CHAR-DIST. It cannot be established as a recurring or systematic withdrawal.

**6. Can clients fund a charitable gift annuity or charitable remainder trust with a QCD?**

Advise your client to consult a tax professional to understand applicable requirements and limitations.

**7. Can clients request a QCD from a Roth IRA?**

Advise your client to consult a tax professional to determine whether a QCD from a Roth IRA is appropriate.

**8. How will a client know the charity received the funds?**

If confirmation is not provided automatically, your client should request a written acknowledgment from the charitable organization confirming receipt of the funds. The client must retain this acknowledgment to substantiate the charitable contribution for tax purposes.



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