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Updated January 15, 2026

Qualified Charitable Distributions from Individual Retirement Accounts (IRAs)

Summary

Congress has created incentives for charitable giving through qualified charitable distributions (QCDs) from individual retirement accounts (IRAs). A provision of the Pension Protection Act of 2006 (P.L. 109-280) established the QCD, which allows individuals age 70½ or older to contribute directly to qualified charities from their IRAs while excluding the distributions from their taxable income.

This provision was made permanent by the Protecting Americans from Tax Hikes Act of 2015 (Division Q of P.L. 114-113). Prior to its permanent enactment, several laws had extended this provision on a one- or two-year basis. The SECURE 2.0 Act of 2022 (Division T of P.L. 117-328) indexed the QCD limit to inflation and permitted one-time distributions to charities through split-interest entities.

The number of individuals making QCDs might be affected by recent tax law changes. The FY2025 budget reconciliation act (P.L. 119-21) expanded and made permanent the standard deduction included in the 2017 tax law (P.L. 115-97). A higher standard deduction might reduce the tax incentive for individuals to make charitable donations. The continued availability of QCDs allows IRA-owning individuals age 70½ and older—including those who take the standard deduction and would not otherwise make charitable contributions—to contribute to charities and receive a tax benefit.

Qualified Charitable Distributions

Traditional and Roth IRAs are tax-advantaged accounts that certain individuals can establish to accumulate funds for retirement. Contributions to traditional IRAs can be tax deductible, but withdrawals are included in taxable income. Roth IRA contributions are not tax deductible, but withdrawals are generally tax free. Account owners must begin taking annual withdrawals from traditional IRAs—called *required minimum distributions* (RMDs)—after reaching a specified age ranging from 70½ to 75 (depending on date of birth). Such a distribution must be included in gross income in the year the distribution occurs, and income taxes must be paid on the distribution's taxable portion. A Roth IRA does not require account withdrawals during an owner's lifetime because contributions are generally made on an after-tax basis. For more information on IRAs, see CRS Report RL34397, *Traditional and Roth Individual Retirement Accounts (IRAs): A Primer*.

Section 1201 of the Pension Protection Act of 2006 (P.L. 109-280) established QCDs, which allow individuals age 70½ or older to exclude IRA distributions made directly to qualified charities from gross income (26 U.S.C. §408(d)(8)). QCD features are as follows:

- The individual must be 70½ or older when the QCD is made.
- Charities must be eligible to receive tax-deductible charitable distributions.
- Contributions must be from traditional IRAs. Certain circumstances may permit QCDs from Roth IRAs, but they are likely uncommon because qualified distributions (i.e., withdrawals that meet certain guidelines) are not included in taxable income (see following bullet point). QCDs cannot be made from ongoing employer-sponsored IRAs (Simplified Employee Pensions [SEP-IRAs] and Savings Incentive Match Plan for Employees [SIMPLE-IRAs]) or from defined contribution retirement plans, such as 401(k) plans or 403(b) plans.
- The portion of any distribution that qualifies as a QCD must come from deductible contributions and earnings (i.e., distributions would have been otherwise included in taxable income). If an IRA includes deductible and nondeductible contributions, the distribution first comes from deductible (i.e., taxable) funds, then from any nondeductible IRA contributions. This feature allows for a larger amount of nondeductible (and, therefore, nontaxable) funds to remain in the IRA for later distributions by the individual.
- QCDs count toward an individual's RMD (e.g., an individual who is required to take a distribution of $5,000 in a year may elect to make a QCD of $3,000 so that the individual has to withdraw only the remaining $2,000 and include it in taxable income).
- The distribution must be a trustee-to-trustee transfer—that is, a direct transfer from the IRA to the charity.
- In 2026, the maximum QCD is $111,000 (increased from $108,000 in 2025), although a spouse can also make up to a $111,000 QCD if the couple files a joint income tax return.
- QCDs do not count toward the overall itemized charitable deduction limit, under which income tax deductions for charitable contributions may generally not exceed 60% of adjusted gross income (AGI). Thus, individuals may make charitable contributions in excess of 60% of AGI using QCDs.

Absent the QCD, some taxpayers who itemize their tax returns could achieve the same reductions in their taxable income by including the IRA distributions in gross income, donating the distributions to charity, and taking tax deductions for the donations. The QCD's structure allows taxpayers who do not itemize their tax deductions or whose charitable contributions exceed 60% of their AGI to benefit from the QCD.

The 2017 tax law (P.L. 115-97), commonly known as the Tax Cuts and Jobs Act (TCJA), increased the standard deduction—the dollar amount by which taxable income is reduced—for many taxpayers from 2018 through 2025. The Internal Revenue Service (IRS) estimated that 31% of tax filers itemized deductions in 2017. Under the changes imposed by the TCJA, the Joint Committee on Taxation (JCT) estimated that 10% of taxpayers would itemize their deductions on their 2024 tax returns. The 2025 reconciliation law (P.L. 119-21) made this expansion permanent and increased the standard deduction further from 2025 onward. The QCD provides a tax-advantaged strategy for IRA-owning individuals age 70½ and older—particularly those who take the standard deduction and might not have a tax incentive to make charitable contributions—to do so.

Other provisions in P.L. 119-21 could affect QCD usage. For example, P.L. 119-21 created a non-itemized deduction for charitable donations up to $1,000 starting in 2026, which some taxpayers might use instead of making QCDs (though the QCD limit is higher). In addition, it created a $6,000 deduction from 2025 through 2028 for taxpayers (and their spouses, if filing jointly) who are age 65 or older. The deduction amount is phased out as income rises, which might affect QCD behavior. For example, seniors could make QCDs to lower their taxable income and become eligible or maintain eligibility for the deduction.

Legislative History

Pension Protection Act of 2006

The Pension Protection Act of 2006 (PPA, P.L. 109-280) introduced the QCD. The law made QCDs effective for taxable years beginning after December 31, 2005, and before January 1, 2008.

Following PPA, the provision was renewed four times on a one- or two-year basis as part of *tax extenders* legislation (P.L. 110-343, P.L. 111-312, P.L. 112-240, and P.L. 113-295). Tax extenders are temporary tax provisions that are regularly extended for one or two years and have often been passed near the end of the tax year.

Congress can use tax extenders as an opportunity to evaluate effectiveness, to address temporary circumstances, or for budgetary purposes. For more information on tax extenders, see CRS Report R47252, *Expired and Expiring Temporary Tax Provisions (Including "Tax Extenders")*.

Extension Legislation Enacted in the 111th-113th Congresses

PPA's provision for QCDs expired on December 31, 2007. P.L. 110-343 extended this provision until December 31, 2009. JCT estimated that this provision would result in a revenue loss of $795 million from FY2009 through FY2018. JCT cost estimates are calculated for 10-year periods regardless of provision length.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) extended the QCD provision until December 31, 2011. JCT estimated that the QCD provision would result in a revenue loss of $979 million from FY2011 through FY2020.

The American Taxpayer Relief Act of 2012 (P.L. 112-240) extended the QCD provision until December 31, 2013. JCT estimated that this provision would result in a revenue loss of $1.3 billion from FY2013 through FY2022.

The Tax Increase Prevention Act of 2014 (P.L. 113-295) extended the QCD provision through December 31, 2014. JCT estimated that this provision would result in a revenue loss of $384 million for FY2015 through FY2024.

Protecting Americans from Tax Hikes Act of 2015

The Protecting Americans from Tax Hikes (PATH) Act of 2015 (Division Q of P.L. 114-113) made the QCD provision permanent. The provision was made effective for distributions made in taxable years beginning after December 31, 2014. JCT estimated that the provision would result in a revenue loss of $8.8 billion from FY2015 through FY2025.

SECURE 2.0 Act of 2022

Section 307 of SECURE 2.0 (P.L. 117-328) indexed the annual QCD limit to inflation and permitted a one-time distribution to charities through split-interest entities (i.e., charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts, as defined in 26 U.S.C. §664(d)). Charitable remainder trusts and charitable gift annuities are arrangements in which taxpayers contribute assets to charities but retain an interest and can receive an income stream. In 2026, the maximum distribution amount that can be made to a split-interest entity under this provision is $55,000 (increased from $54,000 in 2025). JCT estimated that this provision would result in a revenue loss of $2.1 billion from FY2023 through FY2032.

Recent Changes to QCD Reporting Requirements

Starting in tax year 2025, IRA custodians must report QCDs using a specific code on IRS Form 1099-R. Prior to this change, QCDs were reported as regular distributions from IRAs, possibly requiring additional documentation to demonstrate that the distributions were tax-free QCDs.

For Further Information

Internal Revenue Service, *IRS Publication 590-B: Distributions from Individual Retirement Arrangements (IRAs)*, https://www.irs.gov/publications/p590b

Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 117th Congress*, December 21, 2023, https://www.jct.gov/publications/2023/jcs-1-23/

CRS Report R48611, *Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law*

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